



HK Stock Code: 1000

2016

ANNUAL

REPORT

Beijing Media Corporation Limited

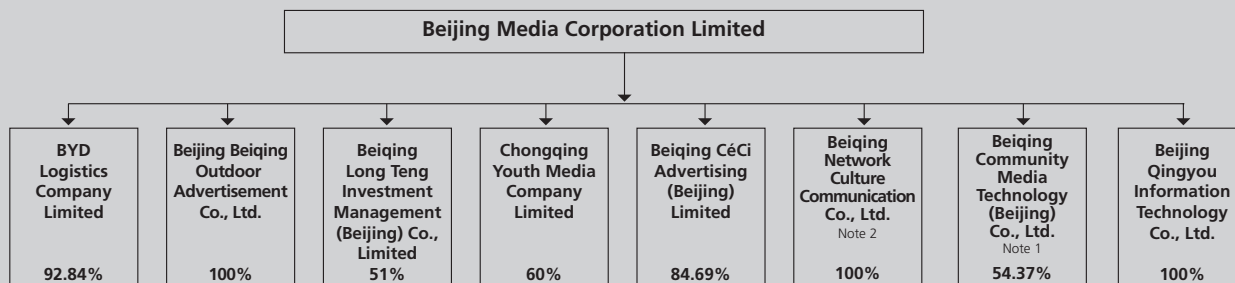
A joint stock company incorporated
in the People's Republic of China with limited liability

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COMPANY PROFILE

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

COMPANY STRUCTURE (AS AT 31 DECEMBER 2016)



Notes:

- On 9 March 2016, the original Beiqing Community Culture Media (Beijing) Limited completed the shareholding reform and was renamed as "Beiqing Community Media Technology (Beijing) Co., Ltd.".
- On 16 August 2016, upon approval from Beijing Municipal Administration of Industry and Commerce, Legal Evening Post Media Company Limited was renamed as "Beiqing Network Culture Communication Co., Ltd.".

COMPANY WEBSITE

www.bjmedia.com.cn

STOCK INFORMATION

- Stock Code: 1000
- Board Lot: 500 shares
- Number of Shares Issued (as at 31 December 2016): 197,310,000 shares
- Market Capitalisation (as at 31 December 2016): HK\$749.78 million
- Financial Year End: 31 December
- Bloomberg's Stock Machine Search Code: 1000 HK Equity
- Reuters Stock Machine Search Code: 1000. HK

AS AT 31 DECEMBER 2016**EXECUTIVE DIRECTORS**

Zhang Yanping (*Chairman*)
 Yu Haibo (*Vice Chairman and President*)
 He Xiaona (*Executive Vice President*)
 Peng Liang (*Chief Financial Officer*) ^{Note 1}
 Duan Gang (*Executive Vice President*) ^{Note 1}
 Shang Da (*Vice President*) ^{Note 1}

NON-EXECUTIVE DIRECTORS

Li Xiaobing ^{Note 2}
 Wang Lin ^{Note 2}
 Xu Xun
 Liu Hong ^{Note 3}

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wu Tak Lung
 Cui Enqing
 Chen Ji
 Wu Changqi ^{Note 4}
 Chow Bing Chuen ^{Note 4}

JOINT COMPANY SECRETARIES

Shang Da
 Yu Leung Fai

AUDIT COMMITTEE ^{NOTE 5}

Wu Tak Lung (*Chairman*)
 Chow Bing Chuen
 Li Xiaobing

REMUNERATION COMMITTEE ^{NOTE 6}

Cui Enqing (*Chairman*)
 Chen Ji
 Wu Changqi

NOMINATION COMMITTEE ^{NOTE 7}

Zhang Yanping (*Chairman*)
 Chen Ji
 Wu Changqi

AUTHORISED REPRESENTATIVES

Zhang Yanping
 Yu Haibo

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
 Rooms 1712-1716, 17/F, Hopewell Centre,
 183 Queen's Road East,
 Wanchai, Hong Kong

Notes:

1. Upon the approval at the annual general meeting of the Company on 30 June 2016, Mr. Peng Liang, Mr. Duan Gang and Mr. Shang Da were appointed as the executive directors of the 6th session of the Board. Please refer to the announcement of the Company dated 30 June 2016 for details. On 31 March 2017, Mr. Duan Gang has resigned from the position as an executive director and executive vice president of the 6th session of the Board of the Company. Upon the approval at the seventh meeting of the 6th session of the Board on 31 March 2017, Mr. Peng Liang was appointed as the executive vice president. Please refer to the announcement of the Company dated 31 March 2017 for details.
2. On 31 March 2017, Mr. Li Xiaobing and Mr. Wang Lin resigned from the positions as non-executive directors of the 6th session of the Board. Please refer to the announcement of the Company dated 31 March 2017 for details.
3. Upon the approval at the 2016 first extraordinary general meeting of the Company on 26 January 2016, Mr. Liu Hong was appointed as a non-executive director of the 5th session of the Board and was re-appointed as a non-executive director of the 6th session of the Board upon the approval at the annual general meeting of the Company on 30 June 2016. Please refer to the announcements of the Company dated 26 January 2016 and 30 June 2016 for details.
4. Upon the approval at the annual general meeting of the Company on 30 June 2016, Mr. Wu Changqi and Mr. Chow Bing Chuen were appointed as the independent non-executive directors of the 6th session of the Board. Please refer to the announcement of the Company dated 30 June 2016 for details.
5. Upon the approval at the first meeting of the 6th session of the Board on 30 June 2016, the Audit Committee consists of Mr. Wu Tak Lung, Mr. Chow Bing Chuen and Mr. Li Xiaobing, with Mr. Wu Tak Lung as the chairman. Please refer to the announcement of the Company dated 30 June 2016 for details. On 31 March 2017, Mr. Li Xiaobing resigned from the position of member of the Audit Committee and Mr. Wu Changqi was appointed as the member of the Audit Committee. Please refer to the announcement of the Company dated 31 March 2017 for details.
6. Upon the approval at the first meeting of the 6th session of the Board on 30 June 2016, the Remuneration Committee of the Board consists of Mr. Cui Enqing, Mr. Chen Ji and Mr. Wu Changqi, with Mr. Cui Enqing as the chairman. Please refer to the announcement of the Company dated 30 June 2016 for details.
7. Upon the approval at the first meeting of the 6th session of the Board on 30 June 2016, the Nomination Committee of the Board consists of Mr. Zhang Yanping, Mr. Chen Ji and Mr. Wu Changqi, with Mr. Zhang Yanping as the chairman. Please refer to the announcement of the Company dated 30 June 2016 for details.



DEAR SHAREHOLDERS,

On behalf of the Group, I am pleased to present the report on the results of the Group for the year 2016.

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

Total operating revenue of the Group for 2016 was RMB483,306 thousand, representing a decrease of 5.1% from 2015 (2015: RMB509,257 thousand). Net loss attributable to Shareholders of the Company for 2016 was RMB58,838 thousand (2015: net loss attributable to Shareholders of the Company was RMB45,372 thousand). Earnings per share for 2016 was RMB-0.30 (2015: RMB-0.23).

In 2016, the macroeconomy continued to linger, while the business of the Company was in a similar condition with the trend thereof appeared to be near its trough.

In 2016, through capital operation and business integration, the Company continued to improve its operation structure, and to form new business so as to promote interactive integration of diversified business models.

1. Reduced negative impact of performance through capital operation

In 2016, the Company disposed 36.12% equity interest in BQTM at the Beijing Equity Exchange, with Trans-media winning the bid. On 30 December 2016, Trans-media paid to the Company 51% of the total consideration for 36.12% in BQTM, i.e., RMB85,680 thousand. On the same day, Beijing Equity Exchange issued transaction certificate to certify that the on-market transaction was completed. As at 31 December 2016, BQTM is no longer an associate company of the Company and the Company did not hold any interest in BQTM. The disposal of BQTM resulted in the cash inflow back to the Company, while reducing the negative impact of performance.

2. Continued to improve operation structure through forming new businesses

On 1 December 2016, the Company entered into equity transfer agreement with Cultural Investment Group, pursuant to which, the Company agreed to acquire and Cultural Investment Group agreed to dispose 20% equity interest in BIAC for cash consideration of RMB33,118.94 thousand. After the completion of the transaction, the Company will hold 20% equity interest in BIAC. At present, BIAC is promoting deep capital operation.

3. Improved team competitiveness through marketing team adjustment

In October 2016, the Company adjusted its marketing team, which was enriched with dynamic team leaders with experience and strong the sense of innovation. The efficiency and pioneering spirit of the team was enhanced, thereby improving the Company's competitiveness.

In 2017, the Company will continue to strengthen its team building, further implement incentive measures and optimize management mechanism; continue to explore new businesses via different ways, and improve the operation layout of the Company. It will continue to combine and integrate businesses, rationally allocate different business units according to their characteristics. The Company aims to improve its general performance, consolidate its core competitiveness, and develop new economic growth points.

The structure optimization measures of the Group will bring significant and profound impact on the lasting and stable positive development of the Group in the future. The performance of the Group in 2016 is heavily dependent on the concerted efforts of our management and staff in each business unit. The acute insight to market opportunities and the excellent quality of the management team and staff are keys to our success. On behalf of the 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 business unit.

Zhang Yanping

Chairman

31 March 2017

Beijing, the PRC

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 2016 was RMB483,306 thousand, representing a decrease of 5.10% as compared with 2015 (2015: RMB509,257 thousand). Net loss attributable to shareholders of the Company for 2016 was RMB58,838 thousand (net loss attributable to shareholders of the Company for 2015: RMB45,372 thousand).

The decrease in the Group's results for 2016 was mainly due to 1) the downturn of macro-economy; 2) the increasingly competitive condition in media industry; and 3) the impact of emerging media.

Advertisement Business

During 2016, revenue from advertising business of the Group was RMB211,053 thousand (corresponding period of 2015: RMB249,181 thousand), representing a year-on-year decrease of 15.30%.

The advertising business in real estate sector was still the leading advertising business of the Company, while the advertising placement volume in automobile industry also accounted for a considerable proportion in the total advertising placement volume of the Company. In 2016, according to the market monitoring data provided by third parties, the Company's advertising placement volume in real estate industry and automobile industry kept in the leading position compared with other print media of Beijing metropolitan newspapers. Meanwhile, the Company's advertising placement volume in other industries such as, among others, recruitment, finance and insurance, and health food also kept in the leading position compared with other print media market of Beijing metropolitan newspapers.

According to the market monitoring data provided by third parties, in 2016, the total advertising placement volume of real estate industry and automobile industry in the print media of Beijing metropolitan newspapers represented a year-on-year decrease.

BUSINESS REVIEW OF THE GROUP (Continued)**Advertisement Business** (Continued)

In 2016, the business trend of the Company was similar to the macro-economic situation, but the trend appeared near to bottom. In 2016, the Company implemented various ways and continuously cultivated new operation models:

1. Adopting a diversified and multi-level marketing strategy to meet customers' diversified demands on public relations event, content marketing and advertising the cultural meaning of a product

1. Building Beijing Media super advertising consultancy platform

With extensive experience in holding large-scale activities, the Company actively explored diversified operation and strengthened the exploration of business channel by holding brand-promoting activities. In 2016, the Company successfully organized the project named "Beijing Media's Vehicle for the Year", a selection activity "voted by over 10,000 citizens in Beijing". The activity received positive feedback from our customers in automobile industry, which effectively increased advertising placement volume. The Company and Bird's Nest Business Management Co., Ltd. (鳥巢商業管理有限公司) jointly organized a large-scale comprehensive carnival, namely the "2016 Bird's Nest International Fashion Season" (「2016鳥巢國際風尚季」), which was opened in June 2016 with over 10 thousand visitors and good earnings. The "Wonderful, Extraordinary Excellence – Beijing Olympic Review and Outlook and the Launching Ceremony for the Serial Activities of Sports Stars in China", a launching ceremony held jointly with the Bird's Nest Culture Center (鳥巢文化中心) during the period, drew the attention of the mainstream media and effectively enhanced the influence of the Company's brand.

2. Publishing special issues for different types of activities

With our overwhelming advantage in editing, the Company produced special issues for different types of industry and activities to promote brand-promoting activities and effectively attract advertising placement from new customers. In 2016, the Company reached an in-depth cooperation with Beijing Insurance Association in respect of advertising in printed media. Throughout the year, the special issue had ran 12 special features, which successfully attracted more than 30 insurance companies to become our customers. The Company also published a 2016 special issue for Beijing Automotive Exhibition, which received advertising placement from various automobile enterprises.

3. Rendering customized promotion and marketing services to gain added value through cross-industry cooperation

The Company relied on the platform of Public Welfare Organizing Committee of Chinese Enterprises (中國企業公益事業組織委員會) to provide customized consulting services in relation to public welfare projects to enterprises with the theme of environment, poverty alleviation, children care and care for the disabled, in order to establish the Company's brand of public welfare. As at the First Half of 2016, the Company has directly cooperated with more than 30 world-renowned enterprises on public welfare projects, and established public welfare alliances including the "Green Public Welfare Alliance" (「綠色公益聯盟」) and the "Enterprise Alliance for Protection of the Great Wall" (「長城保護企業聯盟」), which were supported by the relevant government departments. The above-mentioned measures are expected to lead to increases in the Company's advertisement income to a certain extent.

BUSINESS REVIEW OF THE GROUP (Continued)**Advertisement Business** (Continued)**2. Making good use of the Group's resources advantage to build a "Media Resources Supermarket" and a media resources platform and to explore overall advertising service with online and offline combination**

"OK Home" APP is a mobile software for community living service developed by Beijing Community Media based on the mobile phone terminal and connected to physical stores. Connecting with 29 community papers across the districts in Beijing and 104 community relay stations which covers 60 living circles in Beijing and serves 5 million residents, "OK Home" APP has become a mobile-end O2O community living information and services platform. The Company integrated the spaces of Beijing Youth Daily with the community resources of "OK Home" APP to provide an all-round advertising solution to our customers by establishing a precise sales and promotion platform, which has received positive feedback from the market and created satisfactory economic benefits. The number of registered users of the platform has exceeded 1 million, covering over 3,800 mainstream high-and-middle-end communities. Since 2016, "OK Home" APP platform cooperated with the advertising companies for the online and offline promotion, forming an exclusive community exploration method with an overall plan encompassing print media, community activity, "OK Home" online activity and promotion, "OK Home" physical stores sales and sharing of articles through WeChat public account, which effectively increased advertising placement volume from different industries.

WeChat Matrix Platform (北青微信矩陣) is a comprehensive promotion platform comprising more than 20 official WeChat public accounts of BYDA Group, topics of which include current affairs and politics, education, finance, sports and culture. WeChat Matrix Platform is popular by virtue of its superb brand recognition and fans retention. To satisfy customers' demand for advertising, the Company cooperated with WeChat Matrix Platform. With the strong influence and credibility of the public accounts of BYDA Group, the Company designed all-round marketing solutions for the customers and explored marketing channels via emerging media. In 2016, the business volume of such cooperation of the Company with emerging media developed rapidly, and recorded an increase of 20% as compared with last year. The Company cooperated with "Education Community", which enjoys advantage in WeChat public account, to organize welfare activities in colleges, and established partnership in public welfare events with numerous education institutions, which effectively attracted new customers and enhanced the influence of our corporate brand.

In addition, the Company built the strongest media platform for the youth with the Group's traditional media (Beijing Teenager Daily, Middle School Newsletter News), WeChat public accounts (Education Community), the Group's youth groups (Red Scarf Agency, Middle School Student Agency) and youth outdoor survival training base (Beijing Youth Camp International), and developed a multi-channel and multi-way model for cooperation with education institutions and corporate clients.

BUSINESS REVIEW OF THE GROUP (Continued)**Film and Television Business**

In 2016, the Company continued to explore diversified investment in films and television. On one hand, the Company finely developed video projects which foster mainstream value in society. On 5 February 2016, the Board approved the investment in "Grain Field under the Sun" (《天下糧田》), a historical drama introducing anti-corruption concept, which was selected by State Administration of Press, Publication, Radio, Film and Television as one of the Supportive and Guiding Projects for Excellent TV Drama Script for the Year 2016. It is expected to be broadcasted on CCTV in 2017. On the other hand, the Company tried to participate in online video projects, a hot growing point of film and television industry with relatively small investment, in order to explore the non-traditional film and television market. On 11 May 2016, the president office of the Company approved the investment in online dramas, including "Genie from Chang'an" (《妖出長安》) and "Love Online" (《拜托!別黑我!》) (originally name was "Creating Interenet Celebrity" (《網紅製造》), and online movie, "Love Online's Side Story" (《拜托!別黑我!番外》) (originally name was "Blue and White CP" (《藍白CP》)). Among them, "Genie from Chang'an", which is an ancient Chinese detective drama, has been released on IQIYI.com and was rated as A-grade (the highest rating) online video projects (non-original series of a platform). It has achieved satisfactory number of views and received good responses, together with good income. In May 2016, "The 38th Parallel" (《三八線》), the first TV series in the PRC based on the background of Korean civil war, which was invested by the Company, started its initial broadcasts on television channels including BTv. Authoritative media including People's Daily and Xinhua News Agency as well as major websites published detailed reports of the TV series, which ranked third in terms of ratings during the prime time in evening session in China, and ranked second in the online voting of "The Most Popular TV Series".

Results of subsidiaries and associates of the Group

Beiqing CéCi is a 84.69%-owned subsidiary of the Company. 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 easy-going style give the best annotation to the orient trendy life of Chinese professional women with its advocacy of a modern culture combining innovation and pragmatism in Asia. Through over eight years' operation, CéCi is a favourite magazine of urban white-collar women with a sound track record in sales since its launching. In 2016, through a series of public welfare activities, Beiqing CéCi continued to create a healthy and progressive public image of CéCi magazine among the Chinese new generation of youth and effectively enhanced the brand influence of the Company. In December 2016, Beiqing CéCi held a campus charity events "Passion needs fire and warmth" in several high schools, namely Remin University, Sichuan University, Zhejiang University, Nanjing University, which enhanced the physical health quality of young people and increased their social concern awareness by arranging night running race of university students to donate cotton gloves to the poor mountainous regions. Also, Beiqing CéCi has proactively developed the service model of online media (website, Weibo and WeChat). The number of its subscribers has effectively increased through website and WeChat subscription, and its advertising placement volume was increased owing to its continuous efforts in new marketing initiatives. In May 2016, Beiqing CéCi organized "Ceci - Release Yourself, Girls", a grand ceremony of makeup and beauty contest widely promoted via Weibo and WeChat with numerous shares and reports. In December 2016, it invited female leaders in different sectors included Liu Yu Lin (film director), Su Qin (author), Zhang He (vocal singer), Zhang Meng (actress), Mu Xi Yan (programme host), Xu Ji Dan (Miss Universe) and Dong Sheng Jia (young artist) etc, to attend large event, they jointly discussed the spirit of women in the new age, this effectively enlarged the awareness and influences of CéCi magazine. In 2016, Beiqing CéCi strived to offer three-dimensional service model combining online media and offline marketing activities and develop new resources for business, so as to cope with the market competition and effectively increase its revenue.

BUSINESS REVIEW OF THE GROUP (Continued)**Results of subsidiaries and associates of the Group** (Continued)

Beiqing Outdoor is a wholly-owned subsidiary of the Company, its principal business is operating urban outdoor single column billboards. In first half of 2016, Beiqing Outdoor successfully won the bid of operation right of a total of two single column billboards for three years, which were located at Beijing North 5th Ring Road No. 3 and Jingcheng Highway No. 6 from the government. At present, the Company and Beiqing Outdoor kept a leading position in the industry in retaining the number of single column billboards in the bidding market of Beijing urban area. Beiqing Outdoor operates a total of over 18 single column billboards in advantageous locations in sections such as West 4th Ring, East 5th Ring and Jingmi Road in Beijing, Jingkai Highway and Beijing-Harbin Freeway etc.

Beiqing Community Media is a 54.37%-owned subsidiary of the Company. 2016 operating revenue of Beiqing Community Media was RMB54,692 thousand, representing an increase of 41.29% as compared with the same period last year. Beiqing Community Media is dedicated to create the largest community service integrated platform in China integrating online and offline services, at present it owns 29 Beiqing Community Daily (《北青社區報》) and 32 WeChat accounts, one “OK Home” APP, and 104 community relay stations, by building a three-in-one business model, it realizes direct contact with residents. “OK Home” APP for mobile phone client end created by Beiqing Community Media is the only comprehensive O2O community service platform in Beijing area with news reporting, community services and interaction with brands. Now the platform has over one million registered users, covering 60 main living zones across Beijing, and more than 3,800 mainstream high and middle class communities.

In 2016, Beiqing Community Media ascertained the business model of community services of “one platform + 7 vertical pillars”. It focused on the development of 7 vertical pillar industries, namely the real estate, automobile, health, household life, tourism, sport and finance, in order to provide overall marketing solutions including advertising, community activities, sales orientation, and strived to achieve more profit through its own advantages in channels and a diversified industry integration, and established its leading position in community service market. Also, Beiqing Community Media organized a series of community large brand activities, for example the official “Beijing Community Football Match” of the municipal football association, 100 sessions of “Community Health Talk” cooperated with Beijing Municipal Health Planning Commission, the “Tourism into the Community” cooperated with Beijing Municipal Tourism Commission, the charity donation of brand winter clothes event with Bank of Communications, and “Beijing Cute Babies Competition” etc, which obtained high degree of attention and participation by the general public, effectively increased its influences on the community platform, and they got more recognition by the advertisement clients; besides, it also planned new parenting opera, city orientation sport and other innovative activities, which were much welcome by the automobile and real estate corporate clients.

With the development of Beiqing Community Daily, the continuous accumulation of resources both online and offline and sound capital operation, Beiqing Community Media is likely to obtain a large market share in the classified channel of print media. Beiqing Community Media completed its joint-stock reform on 9 March 2016 and was renamed as “Beiqing Community Media Technology (Beijing) Co., Ltd.” At present, Beiqing Community Media is actively preparing for a new round of capital operation.

BUSINESS REVIEW OF THE GROUP (Continued)**Results of subsidiaries and associates of the Group** (Continued)

Beiqing Network Culture is a wholly-owned subsidiary of the Company. Beiqing Network Culture, as a limited partner, formed Beijing Runxin Dingtai Investment Centre (limited partnership) (the "Fund") in 2013. The first online game project Tianshenhudong invested by the Fund, its target company Tianshenhudong Technology Ltd (北京天神互動科技有限公司) was approved for backdoor listing in 2015. As at the first half of 2016, full exit of the investment was made in that online game project, the return on investment was good. Besides, the Fund also actively promoted the remaining investment projects to realize exits via listing, backdoor listing, the so-called "New Third Board" or merger and acquisition of listed company etc, it is hoped that they will bring higher investment return. On 16 August 2016, it was renamed to "Beiqing Network Culture Communication Co., Ltd." as approved by Beijing Administration for Industry and Commerce.

Qingyou Information is a wholly-owned subsidiary of the Company. In order to explore emerging media business segment, the Company solely invested RMB30,000 thousand in the operation of the website game platform "Qingyou Online". It mainly carries out webpage game (PC webpage game), mobile phone game, H5 game and mobile internet advertisement businesses. In 2016, Qingyou Information was dedicated to carrying out mobile end game publication business. The H5 game platform that it had developed itself was offered online and in trial operation, and 73 popular H5 games of cooperation partners were connected to it. At the same time, with the mobile internet advertisement technical platform that it had built and the qualifications of the secondary advertisers of mobile internet of Tencent Company, Qingyou Information actively explored the mobile internet advertisement business. At present, the average daily download times of the mobile end games were about 300,000 times, the hit rate of mobile advertisement for the whole year was close to one hundred million, this business enjoyed good growth.

Beiqing Long Teng is a 51%-owned subsidiary of the Company. In 2016, Beiqing Long Teng actively explored investment management, financial consulting and value-added services, it paid attention to the investment and financing areas of health and retirement projects and cultural internet industry. Beiqing Long Teng, which was under the rearing period, was consolidating its basis, and was determined to explore businesses in order to realize profits as soon as possible.

Chongqing Media is a 60%-owned subsidiary of the Company. In 2016, Chongqing Media speeded up the transformation of its media, on the basis of a stable newspaper publication, it worked hard to develop new media products and market expansion, actively constructed a new media development structure, to form an operation model with equal focuses in media, municipal services, commercial multiple account types, revenue from the new media rose 23% from last year. Besides, the official WeChat public account of Chongqing Youth Daily (《重慶青年報》) continued to steadily rank among the top 500 of the national new media, all types of data were ranked first in Chongqing media ranking lists for a long time, and was ranked among the top 50 in "China Newspaper Industry New Media Influence Ranking" in 2016. Chongqing Media was trying to shorten the cultivation period so as to realize profit as soon as possible.

BYD Logistics is a 92.84%-owned subsidiary of the Company. In 2016, in the general slackness of the printing industry market, BYD Logistics strengthened internal assessment management, stressed cost control; at the same time it actively expanded product types, grasped the transformation of market opportunity strategies, and as the market of newsprint, light weight coated paper was shrinking, it wanted to become the largest agent in the northern region in the areas with rising demand of new products (Coldset magazine paper, super matte paper), and further expand the sourcing scale and market influence, continue to guarantee low costs and selling price advantages.

BUSINESS REVIEW OF THE GROUP *(Continued)***Prospects and future plans**

In 2017, the Company will continue the organic integration of its traditional media business and new media channels, explore new media channels, enlarge its product types, to earn more revenue for the Company.

In 2017, the Company will actively promote Beiqing Community Daily and “OK Home” APP community service integrated platform integrating online and offline services, to promote new exploration of business domains through capital operation. At present, Beiqing Community Media is actively preparing for that, it is expected that there will be further capital operation in 2017.

In 2017, the Company will be determined to expand new media business. Qingyou Information will rely on the advantages and influences of the media of the Group to actively develop mobile end game platform and at the same time explore the mobile internet advertisement business, and create new areas of profit growth with its established advertisement platform advantages and the good growth of these businesses.

In 2017, the Company will continue to take Beiqing Outdoor as the theme, speed up the development of urban outdoor advertisement business. The Company and Beiqing Outdoor will continue to take part in government public bidding to increase the number of single column billboards to further increase market share.

In 2017, the Company will continue its investment in film and television business, and use mainly a constructive perspective to display boutique projects to portray history and life, explore a diversified investment model, expand the culture industry market. “Grain Field Under the Sun” (《天下糧田》), a historic programme about anti-corruption invested and produced by the Company will be broadcasted in CCTV in 2017, which is expected to generate good revenue.

In 2017, the Company will further explore capital operation, promote the optimization of the business structure and improve the financial results via merger and acquisition as well as absorption.

In 2017, while maintaining its existing core businesses, the Group will actively explore new businesses, help making new profit growth, continue to consolidate and utilize its ongoing relationship with BYDA, in order to further develop its business, and stand out from its peers as a leading group with a cross-media in China.

FINANCIAL POSITION AND OPERATIONAL RESULTS**1. Total Operating Revenue**

Total operating revenue of the Group for 2016 was RMB483,306 thousand (2015: RMB509,257 thousand), representing a decrease of 5.10% as compared with 2015. Of which, revenue from advertising sales was RMB211,053 thousand (2015: RMB249,181 thousand), representing a decrease of 15.30% as compared with 2015; revenue from printing was RMB11,368 thousand (2015: RMB18,134 thousand), representing a decrease of 37.31% as compared with 2015; and revenue from trading of print-related materials was RMB172,707 thousand (2015: RMB199,343 thousand), representing a decrease of 13.36% as compared with 2015.

2. Operating Cost and Sales Tax and Surcharges

Operating cost of the Group for 2016 was RMB409,320 thousand (2015: RMB404,220 thousand), representing an increase of 1.26% as compared with 2015. Of which, cost of advertising sales was RMB161,814 thousand (2015: RMB173,256 thousand), representing a decrease of 6.60% as compared with 2015; cost of printing was RMB12,719 thousand (2015: RMB17,518 thousand), representing a decrease of 27.39% as compared with 2015; and cost of trading of print-related materials was RMB162,626 thousand (2015: RMB186,807 thousand), representing a decrease of 12.94% as compared with 2015. Tax and surcharges was RMB8,155 thousand (2015: RMB7,448 thousand), representing an increase of 9.5% as compared with 2015.

3. Gross Profit

Gross profit of the Group for 2016 was RMB73,986 thousand (2015: RMB105,037 thousand), representing a decrease of 29.56% as compared with 2015; gross profit margin of the Group for 2016 was 15.31% (2015: 20.63%).

4. Selling Expenses

Selling Expenses of the Group for 2016 was RMB64,592 thousand (2015: RMB72,396 thousand), representing a decrease of 10.78% as compared with 2015.

5. Administrative Expenses

Administrative expenses of the Group for 2016 was RMB62,165 thousand (2015: RMB58,574 thousand), representing an increase of 6.13% as compared with 2015.

6. Financial Expenses

Financial expenses of the Group for 2016 was RMB-3,443 thousand (2015: RMB-2,287 thousand), representing an increase of 50.55% in absolute value as compared with 2015. Of which, interest income was RMB4,874 thousand (2015: RMB7,491 thousand), representing a decrease of 34.94% as compared with 2015; and foreign exchange loss was RMB3 thousand (foreign exchange loss for 2015: RMB232 thousand), representing a decrease of 98.71% as compared with 2015.

7. Share of Loss of Associates

Share of loss of associates of the Group for 2016 was RMB17,017 thousand (2015: RMB39,752 thousand), representing a decrease of 57.19% as compared with 2015.

8. Operating Loss

Operating loss of the Group for 2016 was RMB73,364 thousand (2015: RMB58,485 thousand), representing an increase of 25.44% as compared with 2015.



FINANCIAL POSITION AND OPERATIONAL RESULTS (Continued)

9. Income Tax Expenses

Income tax expenses of the Group for 2016 was RMB950 thousand (2015: RMB-3,257 thousand), representing an increase of 129.17% in absolute value as compared with 2015. According to the "Notice on the Continual Implementation of Certain Taxation Policies relating to the Transformation of Operational Culture Entities into Enterprises in the Cultural Regime Reform issued by the Ministry of Finance, the State Administration of Taxation and the Central Publicity Department and forwarded by Beijing Municipal Finance Bureau, Beijing State Administration of Taxation, Beijing Local Taxation Bureau and the Publicity Department of the Beijing Committee of the Communist Party of China" (Jing Cai Shui [2014] No.2907) (《北京市財政局、北京市國家稅務局、北京市地方稅務局、中國共產黨北京市委員會宣傳部轉發財政部、國家稅務總局、中宣部關於繼續實施文化體制改革中經營性文化事業單位轉制為企業若干稅收政策的通知》(京財稅[2014]2907號)), the Company will continue to enjoy preferential enterprise income tax exemption during the period from 1 January 2014 to 31 December 2018.

10. Net Profit/loss and Net Profit/loss Attributable to Shareholders of the Company

Net loss of the Group for 2016 was RMB70,874 thousand (2015: net loss of RMB54,478 thousand). Of which, net loss attributable to shareholders of the Company was RMB58,838 thousand (2015: net loss attributable to shareholders of the Company RMB45,372 thousand).

11. Final Dividend

The Board did not propose a final dividend for the year 2016 (2015: RMB0 per share).

12. Net Current Assets

As at 31 December 2016, net current assets of the Group was RMB835,385 thousand (31 December 2015: RMB794,101 thousand). Current assets mainly comprised bank balances and cash of RMB214,527 thousand (31 December 2015: RMB349,953 thousand), accounts receivable of RMB422,045 thousand (31 December 2015: RMB409,792 thousand), prepayments of RMB54,446 thousand (31 December 2015: RMB59,869 thousand), interest receivable of RMB182 thousand (31 December 2015: RMB1,212 thousand), other receivables of RMB311,297 thousand (31 December 2015: RMB134,274 thousand), inventories of RMB28,117 thousand (31 December 2015: RMB35,963 thousand), non-current assets due within one year was RMB1,060 thousand (31 December 2015: RMB1,760 thousand), and other current assets was RMB39,783 thousand (31 December 2015: RMB23,040 thousand). Current liabilities mainly comprised notes payable of RMB51,188 thousand (31 December 2015: RMB35,114 thousand), accounts payable of RMB78,916 thousand (31 December 2015: RMB75,333 thousand), receipts in advance of RMB39,031 thousand (31 December 2015: RMB37,524 thousand), employee benefit payables of RMB8,882 thousand (31 December 2015: RMB6,776 thousand), interest payables of RMB25 thousand (31 December 2015: RMB25 thousand), tax payables of RMB5,730 thousand (31 December 2015: RMB-9,019 thousand), other payables of RMB45,191 thousand (31 December 2015: RMB67,077 thousand), non-current liabilities due within one year was RMB5,500 thousand (31 December 2015: RMB6,500 thousand), and other current liabilities of RMB1,609 thousand (31 December 2015: RMB2,432 thousand).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2016, current assets of the Group was RMB1,071,457 thousand (31 December 2015: RMB1,015,863 thousand), including bank balances and cash of RMB214,527 thousand (31 December 2015: RMB349,953 thousand) and non-current assets was RMB429,378 thousand (31 December 2015: RMB538,558 thousand).

As at 31 December 2016, current liabilities of the Group was RMB236,072 thousand (31 December 2015: RMB221,762 thousand) and non-current liabilities was RMB4,514 thousand (31 December 2015: RMB10,014 thousand).

As at 31 December 2016, shareholders' equity of the Group was RMB1,260,249 thousand (31 December 2015: RMB1,322,645 thousand).

GEARING RATIO

As at 31 December 2016, gearing ratio of the Group was 19.09% (31 December 2015: 17.52%) (the gearing ratio is derived from dividing the Group's total liabilities by its total equity).

BANK BORROWINGS, OVERDRAFTS AND OTHER BORROWINGS

As at 31 December 2016, bank loans of the Group was RMB5,500 thousand (31 December 2015: RMB12,000 thousand). The currency unit of cash and cash equivalent held by the Group was Renminbi.

FINANCING COST

Financing cost of the Group for 2016 was RMB1,278 thousand (2015: RMB2,617 thousand).



FIVE-YEAR RESULTS HIGHLIGHTS

	For the year ended 31 December				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Total operating revenue	483,306	509,257	680,769	667,428	690,276
Net profit	(70,874)	(54,478)	4,896	17,273	63,459
Net profit attributable to shareholders of the Company	(58,838)	(45,372)	10,506	20,377	64,987
Earnings per share – basic and diluted (RMB)	(0.30)	(0.23)	0.05	0.10	0.33

	As at 31 December				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Total assets	1,500,835	1,554,421	1,595,590	1,612,519	1,685,825
Total liabilities	240,586	231,776	284,622	279,005	327,391
Total equity attributable to shareholders of the Company	1,214,959	1,265,345	1,281,732	1,302,238	1,341,054
Shareholders' equity per share as at the end of the year (RMB)	6.16	6.41	6.50	6.60	6.80

USE OF PROCEEDS FROM THE LISTING

The Company raised a total net proceeds of HKD889,086 thousand from the initial global offering in 2004.

All of the proceeds were used up as at 31 December 2016.

In order to capture more business opportunities arising from emerging media businesses, the Company believes that it will seek for various financing arrangements to support business development when its business requires and condition is mature in the future.

SHARE STRUCTURE (AS AT 31 DECEMBER 2016)

	Number of shares	% of total share capital (%)
Holders of domestic shares		
– BYDA	124,839,974	63.27
– Beijing Zhijin Science and Technology Investment Co., Ltd.	7,367,000	3.73
– China Telecommunication Broadcast Satellite Co., Ltd. (Note 1)	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 in issue (Note 2)	54,901,000	27.82
Total share capital	197,310,000	100

Notes:

- On 22 December 2016, China Telecommunication Broadcast Satellite Corp. was renamed as “China Telecommunication Broadcast Satellite Co., Ltd.”.
- Including 19,533,000 outstanding H Shares held by Mr. Jia Yueting and Le Shi Internet Information & Technology (Beijing) Limited which represents 9.90% of the total share capital of the Company.

CAPITAL EXPENDITURE

Capital expenditures, including expenditures on office equipment and intangible assets, of the Group for 2016 was RMB2,357 thousand (2015: RMB5,208 thousand). Capital expenditures of the Group for 2016 was mainly comprised of the expenditures consistent with business strategies.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 31 December 2016, the Group did not have any contingent liabilities, nor any plans relating to contingent liabilities.

Beiqing Outdoor, the subsidiary of the Company, has entered into a loan agreement with Beijing Dongdan Branch, Bank of Communications on 26 June 2014, pursuant to which, Beijing Dongdan Branch, Bank of Communications agreed to provide the loan of RMB19,500 thousand to Beiqing Outdoor for the payment of utilization of advertising facilities for a term not more than 36 months (26 June 2014 to 23 June 2017). Beiqing Outdoor shall pay the interest based on an interest rate equivalent to the 3-year-term benchmark interest rate at a premium of 20% and pledge the investment properties held by Beiqing Outdoor as the security. As at 31 December 2016, Beiqing Outdoor had repaid RMB14,000 thousand and the remaining balance of loan amounted to RMB5,500 thousand.

MATERIAL INVESTMENTS

On 1 December 2016, upon approval by the 4th meeting of 6th session of the Board, the Company and Cultural Investment Group entered into an equity transfer contract, pursuant to which the Company agreed to acquire and Cultural Investment Group agreed to dispose 20% equity interest in BIAC for cash consideration of RMB33,118.94 thousand. Upon completion of the above equity transfer, the Company holds 20% equity interest in BIAC.

Save for the above disclosure, during the Reporting Period, the Group had no material investments, nor any plan related to material investment or acquisition of assets.

MATERIAL ACQUISITION AND DISPOSAL OF ASSETS

On 11 April 2016, the Company and Trans-media entered into an equity transfer agreement, pursuant to which the Company agreed to sell and Trans-media agreed to purchase the Company's 36.12% equity interest in BQTM for cash consideration of RMB168,000 thousand. The above Equity Transfer Agreement had been approved at the annual general meeting of the Company held on 30 June 2016. As at 31 December 2016, BQTM will cease to be an associate company of the Company and the Company will cease to hold any equity interest in BQTM. For details, please refer to the announcements of the Company dated 11 April 2016 and 30 June 2016, and circular dated 13 May 2016.

Save for the above disclosure and disclosure in "Material Investment", during the Reporting Period, the Group had no other material acquisition or disposal of assets.

FOREIGN EXCHANGE RISKS

Renminbi is the functional currency of the Company. The Company's operations conducted in the PRC are mainly settled in Renminbi. However, certain account payables are settled in foreign currency (mainly HKD). Therefore, the Company is exposed to fluctuations in foreign exchange rate to certain extent. Operating cash flow or liquidity of the Group is subject to very limited effect from exchange rate fluctuations.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has always upheld the philosophy of focusing on environment protection while developing. During its day-to-day operation, the Group reasonably utilized resources in strict compliance with the relevant laws, regulations, standards and other local rules. It has formulated and implemented the relevant internal rules and strives to minimize its impacts on the ecological environment in terms of resource utilization. During the year ended 31 December 2016, the Group organised several public benefit events relating to protection of natural environment. In the meantime, the Group is committed to maintaining and consolidating a healthy operation environment so that it can realize steady and orderly growth. The Group also tries its best to improve the working environment for its employees, advocates a philosophy of green office and green production and strives to create a safe, healthy, ideal and protected working environment for all employees. During the year ended 31 December 2016, the Group placed advertisements in the theme of public welfare all the year round so as to promote the concept of environmental protection.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year of 2016, so far as the Directors were aware, there was no non-compliance with any relevant laws and regulations which would have a material impact on the Group.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group endeavours to maintain sustainable development in the long term, continuously create value for its employees and customers, and fosters good relationships with its suppliers. The Group deeply understands that employees are its valuable assets, and the realisation and enhancement of employees' values will facilitate the achievement of the Group's overall goals. For the year ended 31 December 2016, the Group held staff trainings, and organised the staff to watch arts performance and sporting events for several times. The Group also understands the importance of maintaining good relationships with its suppliers and customers to the overall development of the Group. The Group places emphasis on supplier selection and encourages fair and open competition to foster long-term relationships with quality suppliers on the basis of mutual trust. The Group abides by the principles of honesty and trustworthiness and commits itself to consistently providing quality services to its customers. For the year ended 31 December 2016, there was no significant and material dispute between the Group and its suppliers and/or customers.

FOR THE YEAR ENDED 31 DECEMBER 2016**EXECUTIVE DIRECTORS**

Mr. Zhang Yanping, 59, is the chairman of the Board and an executive Director. Mr. Zhang is currently the president of the BYDA. Mr. Zhang graduated in 1988 from Renmin University of China with a bachelor's degree in journalism and achieved an EMBA degree from the School of Economics and Management of Tsinghua University in 2006. Mr. Zhang performed his military service with Division No. 4 of Beijing Garrison Command from December 1976 to June 1980. He then joined Beijing People's Radio as a trainee from June 1980 to April 1981. Mr. Zhang joined BYDA in November 1981 and has gained nearly 36 years of experience in the media business and has acted in a number of positions such as a reporter, director, editing committee member, deputy chief editor, executive deputy chief editor and chief editor of BYDA. Mr. Zhang became a member of Beijing Municipal Committee of the CPPCC since 21 January 2013. Mr. Zhang was appointed as a Director on 16 May 2001.

Mr. Yu Haibo, 44, is the president, the vice chairman of the Board and an executive Director of the Company. Mr. Yu obtained his bachelor's degree and master's degree of journalism from Renmin University of China in July 1993 and July 1996, respectively. Since 1 December 2009, Mr. Yu had been granted the technical position of news senior editor. From July 1996 to June 2000, Mr. Yu had served as an editor of the General Editorial Department of Guangming Daily Agency and had been appointed as the chief editor of the second session of Guangming Daily Agency from June 2000 to September 2006. From September 2006 to May 2009, Mr. Yu had served as the chief editor of the News Planning Department of Guangming Daily Agency. Mr. Yu had served as the Deputy Director of the News Planning Department of Guangming Daily Agency from May 2009 to January 2010 and from January 2011 to August 2011, and had served in the News Coordination Group of Central Propaganda Department of PRC from January 2010 to January 2011. From August 2011 to June 2012, Mr. Yu had served as the Vice General Editor of Beijing Daily Group. Since June 2012, Mr. Yu has served as the Deputy Secretary of Party Committee and the General Editor of BYDA. On 7 March 2014, Mr. Yu was appointed as the President of the Company. Mr. Yu was appointed as a Director on 21 December 2012.

Ms. He Xiaona, 54, is the executive vice president and an executive Director of the Company. Ms. He graduated from Tsinghua University majoring in publishing in 2003. Joining BYDA in 1988, Ms. He has once served as a chief of editorial department of Y Weekend, chief editor of life magazine, and started working in BYDA administrative system since 2004, and served as office manager, an assistant to the president and the vice president of BYDA. On 20 June 2008, Ms. He was appointed as the Executive Vice President of the Company. Ms. He was appointed as a Director on 15 May 2012.

Mr. Peng Liang, 44, is the executive vice president and chief financial officer and executive Director of the Company. Mr. Peng was graduated from the Capital University of Economics and Business and obtained a master's degree in accounting and the qualification of Senior Accountant in 1999. Mr. Peng is also a PRC Certified Public Accountant, a PRC Certified Tax Agent and a PRC Certified Public Valuer. Mr. Peng served as the manager of the financial department of a subsidiary of Datang Telecom Technology Co. Ltd. from July 1999 to December 2004. Mr. Peng joined BYDA in 2004, and has successively served in BYDA as the director of the financial department, the president's assistant and vice president, in some subsidiaries of BYDA as director and supervisor, and in some subsidiaries of the Company as director and supervisor since October 2005. Mr. Peng was appointed as the chief financial officer of the Company on 13 December 2011 and also appointed as Director on 30 June 2016. Mr. Peng was appointed as executive vice president of the Company on 31 March 2017.

EXECUTIVE DIRECTORS (Continued)

Mr. Duan Gang, 49. Mr. Duan graduated from the Guanghua School of Management of Peking University and obtained a senior MBA degree in 2006. Mr. Duan joined BYDA in July 1988 and took several key positions in BYDA, including but not limited to, the reporter of news department, editor of the feature news department, deputy director of the editorial department of Guangdong-Hong Kong Entrepreneur Journal, deputy director of the news reporting department, deputy director of the chief editorial office, director of domestic news department, director of the editorial department of Fortune Weekly and director of editorial department of Sports Weekly, director of the economic news editorial department and director of securities news department, editor-in-chief of financial section and general manager of BYD Logistics Company Limited, and also served as the director of certain subsidiaries of the Company. Mr. Duan was appointed as the vice president of the Company on 13 December 2011. Mr. Duan served as executive Director from 19 June 2015 to 7 December 2015 and from 30 June 2016 to 31 March 2017. Mr. Duan served as the executive vice president of the Company during the period from 23 September 2015 to 31 March 2017.

Mr. Shang Da, 55, is the vice president, the joint company secretary, the secretary to the Board and executive Director of the Company. Mr. Shang graduated from Capital University of Economics and Business with a bachelor degree majoring in trade and economics in 1987. Mr. Shang studied master degree majoring in finance in Renmin University of China before he joined BYDA in 1999, and he served as the secretary to the Board since 28 May 2001. Mr. Shang was appointed as the vice president of the Company on 13 December 2011 and joint company secretary on 19 March 2012, and also served as director and supervisor of certain subsidiaries of the Company. Mr. Shang has also been an affiliated person of Hong Kong Institute of Chartered Secretaries since 2005. Mr. Shang, by virtue of his relevant experiences, has been confirmed capable of discharging the functions of company secretary by the Hong Kong Stock Exchange in March 2015 pursuant to the note 2 of Rule 3.28 of the Listing Rules and qualified for the position of company secretary under the Listing Rules. Mr. Shang was appointed as a Director on 30 June 2016.

NON-EXECUTIVE DIRECTORS

Mr. Li Xiaobing, 47, is currently the standing vice president of BYDA. Mr. Li obtained an Executive Master degree of Business Administration from Tsinghua University in 2007. From 1996 to 2003, Mr. Li served as a vice secretary and a secretary to Commission of Communist Youth League in Daxing District Beijing. From August to December in 2003, Mr. Li served as a vice secretary to Publicity Department of Daxing District Committee in Beijing of Communist Party of China (中國共產黨北京大興區委宣傳部). From January to August in 2004, Mr. Li served as a director of Volunteer Service Instructing Center of the Communist Youth League Beijing Municipal Committee (共青團北京市志願服務指導中心). Since September 2004, Mr. Li has served as a vice president of BYDA, and since December 2011, he has served as a standing vice president of BYDA. Mr. Li served as non-executive Director from 15 May 2012 to 31 March 2017.

Mr. Wang Lin, 49, is currently the deputy president of BYDA. Mr. Wang graduated from Renmin University of China majoring in demography and obtained the degree of bachelor in law in June 1989. Mr. Wang served as journalist in Chinese Talent Agency (中國人才報社) from July 1989 to August 1990. Mr. Wang has joined in BYDA since August 1990 and had served a number of positions there including journalist of Internal Information Editorial Division, deputy director of Domestic Division, editor of News Division, team leader of tactical journalists of News Division, deputy director of Newsroom, deputy director of Editorial Division of News Weekly, deputy director of Economy Division, director of the Second Editorial Office of Editorial Division of Beijing Youth, deputy director of Editorial Division of Youth Weekly, deputy director of Chief Editor Office and director of News Interview Division, and chief editor of Key News Edition successively from August 1990 to May 2004. Mr. Wang then served as executive chief editor of LEPA from May 2004 to September 2005 and has served as chief editor of LEPA from September 2005 to now and as president of LEPA from February 2014 to now. Mr. Wang also served as assistant to chief editor of BYDA from August 2004 to September 2011 and as deputy chief editor of BYDA from September 2011 to February 2014, and has served as deputy president of BYDA from February 2014 to now. Mr. Wang served as non-executive Director from 20 May 2014 to 31 March 2017.

NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Xu Xun, 61, is a non-executive Director. Mr. Xu graduated in 1998 from the Postgraduate School of the Chinese Academy of Social Sciences with a master's degree in finance. Mr. Xu served as an editor and reporter of Capital Economic Information Daily from 1990 to 1993. He was the general manager of Beijing Hua Ren Advertising Company Limited in 1993. Mr. Xu acted as the deputy general manager of Chinese Securities Daily from November 1994 to February 2000. Thereafter, Mr. Xu worked in Beijing Zhijin Science and Technology Investment Co., Ltd. as the deputy general manager from March 2000 to March 2002. Mr. Xu worked with Beijing Management Department of Yongjin Group as head from March 2002 to 2006 and the Beijing Zhijin Science and Technology Investment Co., Ltd. as the general manager from January 2007 to July 2015, and is now the vice president of Yongjin Group and the chairman of the board of directors of Guojin Yongfu Assets Management Co., Ltd.. Mr. Xu was appointed as the director of Qianjin Pharmaceuticals Company Limited (Stock Code: 600479), a listed company of A shares from August 2010 to April 2015, as the director of Hunan Jiuzhitang Co., Ltd. (Stock Code: 000989), a listed company of A shares from June 2014 to November 2014 and as the director of Sinolink Securities Co., Ltd. (Stock Code: 600109), a listed company of A Shares since November 2011. Mr. Xu was appointed as a Director on 16 May 2001.

Mr. Liu Hong, 43, is a non-executive Director. Mr. Liu is currently serving as the director and deputy general manager of Leshi Internet Information & Technology Corp., Beijing (300104.SZ) and the executive director of Coolpad Group Limited (02369.HK). Mr. Liu served as a reporter in China Radio International from 1997 to 2004, served as the deputy general manager in Leshi Internet Information & Technology Corp., Beijing from 2004 to 2008, and served as the vice chairman and deputy general manager of Leshi Internet Information & Technology Corp., Beijing from February 2009 to October 2015. Mr. Liu graduated and obtained a Bachelor's Degree in Mechanical Manufacturing Technology and Equipment from Nanchang Institute of Aeronautical Technology in July 1995; graduated and obtained a Bachelor's Degree in Journalism from Beijing Broadcasting Institute in July 1997; and graduated and obtained a Master's degree in Law from the University of International Business and Economics in January 2003. Mr. Liu was appointed as a Director on 26 January 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Tak Lung, 51, is an independent non-executive Director. Mr. Wu is a member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Hong Kong Securities Institute, the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong and the Hong Kong Institute of Chartered Secretaries. Mr. Wu was awarded the bachelor's degree of business administration in Accounting by the Hong Kong Baptist University and the master's degree of finance in MBA jointly awarded by the University of Manchester and the University of Wales. Mr. Wu has worked in an international accounting firm Deloitte Touche Tohmatsu for five years, and was then employed by several listed and private companies in Hong Kong as head of corporate finance and executive director. Mr. Wu currently served as an independent non-executive director of China Machinery Engineering Corporation, Sinomax Group Limited, Huarong Investment Corporation Limited and Kam Hing Investment Holdings Limited, which are companies listed on the Hong Kong Stock Exchange, and First Tractor Company Limited, a company listed on both the Hong Kong Stock Exchange and Shanghai Stock Exchange. During the last three years, Mr. Wu once served as the independent non-executive director of Valuetronics Holdings Limited, a company listed on Singapore Stock Exchange and Apu Group Holding Company Limited, a company listed on Hong Kong Stock Exchange. Mr. Wu currently is the member of the committee of Jiangsu Provincial People's Political Consultative Conference, honorary member of the Council and the Court of Hong Kong Baptist University, the honorary chairman of the North Kwai Chung Scout Association and the executive vice president of Hong Kong-GuangDong Youth Exchange Promotion Association. Mr. Wu was appointed as a Director on 15 May 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Cui Enqing, 73, is an independent non-executive Director. Mr. Cui is a senior economist. Mr. Cui graduated from the School of Economics in Peking University (one-year advanced course) in 1975 and graduated from Training School of Beijing Communist Party Committee with a college degree of Economics and Management in 1991. Mr. Cui had worked in Communist Party Committee of Shijing Shan District in Beijing and had served as the deputy office head of district committee and the secretary of the youth league district committee, during 1965 to 1983. From 1983 to 1996, Mr. Cui served as the president of BYDA for 13 years, and also served as deputy chairman and the manager of its operation and management committee of China Youth Newspaper Association (中國青年報刊協會). Mr. Cui also served as a part-time professor of school of journalism and communication of Renmin University of China. From 1998 to 2004, Mr. Cui served as the deputy secretary of Party Committee of Beijing Literary Federation (北京市文聯) and the standing deputy chairman and general secretary of Beijing Lao She Arts Foundation (北京老舍文藝基金會). In 2000, Mr. Cui established Beijing Star Daily (北京娛樂信報) and served as the president until 2004. Mr. Cui was appointed as a Director on 15 May 2013.

Mr. Chen Ji, 65, is an independent non-executive Director. Mr. Chen graduated from Beijing Normal University majoring in Chinese Language in 1976 and graduated from Beijing Administrative College with a postgraduate degree of economics and management in 1999. Mr. Chen, having over 40 years work experiences, is a senior economist. From March 1981 to 1983, Mr. Chen successively served as a reporter, head of school team, and director of supplement department of BYDA. Mr. Chen served as the deputy chief editor of BYDA in 1983 and served as the chief editor of BYDA in 1988. Mr. Chen had served as the deputy general manager of Beijing North Star Industrial Group Company (北京北辰實業集團公司) and held a concurrent position as the general legal counsel since 1995. Since 1997, he served as the deputy general manager (July 1997-June 2000) and executive director (July 1997-June 2000, June 2005-31 May 2012) of Beijing North Star Company Limited (a company listed on Hong Kong Stock Exchange and Shanghai Stock Exchange). Mr. Chen was appointed as a Director on 15 May 2013.

Mr. Wu Changqi, 62, is an independent non-executive Director. Mr. Wu is currently serving as the president of Development Strategy Institute of the State High-Tech Development Zones of Peking University and Guanghua Cisco Leadership Institute of Guanghua School of Management in Peking University. Mr. Wu served as a lecturer and an assistant professor in economics of the Business School in Hong Kong University of Science and Technology respectively in 1991 and 1994. Mr. Wu has been the professor and PhD supervisor in strategic management of the Guanghua School of Management of Peking University since 2001. He served as head of the Department of Strategic Management of the Guanghua School of Management of Peking University from 2001 to 2010, the director of the EMBA Centre of the Guanghua School of Management of Peking University from 2002 to 2010 and the associate dean of the Guanghua School of Management of Peking University from 2003 to 2010. Mr. Wu graduated from Shandong University with a bachelor's degree in economics in 1982, and obtained an MBA degree and a doctoral degree in applied economics from Katholieke Universiteit Leuven in Belgium in 1986 and 1990, respectively. Mr. Wu served as a Director from August 2004 to May 2013, was appointed as a Director on 30 June 2016.

Mr. Chow Bing Chuen, 50, is an independent non-executive Director. Mr. Chow is currently serving as the general manager and director of Okeanes Capital Investments Ltd. and a director of Shanghai Taolue Media Co., Ltd. Mr. Chow obtained the certification of US Certified Public Account in September 1998. Mr. Chow served as the financial advisor in PricewaterhouseCoopers from 2005 to 2006, the senior vice president of finance in American Oriental Biogineering from 2006 to 2009, the chief financial officer in TigerMedia Holding Limited from 2010 to 2012, the chief financial officer of Aoxing Pharmaceutical Company Inc. from December 2014 to November 2015, and the chief financial officer of Shanghai Taolue Media Co., Ltd. from January 2016 to July 2016. Mr. Chow graduated from the University of Hong Kong with the bachelor's degree in economics in November 1991 and obtained a master's degree in business administration from University of Leicester in UK in February 2001. Mr. Chow was appointed as a Director on 30 June 2016.

SUPERVISORS

Mr. Tian Kewu, 47, is currently a member of the Party Committee and executive deputy chief editor of BYDA. He graduated from China Youth Political Academy in 1991 with bachelor's degree in Laws, and was awarded a master's degree in law in 2003 from Peking University after three years' research. In July 1991, Mr. Tian joined China Communist Youth League Beijing Committee, and served as an officer, administration officer, deputy director and director of the research office and was promoted to the head of the Propaganda Department of the China Communist Youth League Beijing Committee since May 2001. Mr. Tian has been the executive deputy chief editor of BYDA since June 2005. Mr. Tian served as a Supervisor from 23 August 2007 to 31 March 2017.

Mr. Zhang Chuanshui, 65, worked at No. 6 sub-factory in Li Ming Farm at Yunnan Province from May 1969 to October 1978. Mr. Zhang worked at the engineering team of Beijing Measuring Instruments Limited from November 1978 to 1985. From 1986 to April 1993, Mr. Zhang served as the chief of finance of Beijing Hardware Tools Research Center. From May 1993 to September 2006, Mr. Zhang served as the deputy manager in the planning and finance department of Beijing Economic-Technological Investment & Development Corporation. Mr. Zhang is now retired. Mr. Zhang was appointed as a Supervisor on 7 June 2010.

Mr. Zhao Meng, 42, is currently the deputy manager of the department of enterprise development of China Satellite Communications Co. Ltd. Mr. Zhao graduated from Shandong University with a bachelor's degree of Electronics Engineering in 1998 and graduated from University of International Business and Economics with a master's degree of Business Administration in 2006. From 1998 to 1999, Mr. Zhao served as the project manager of Shandong Post And Telecom Engineering Co. Ltd. From 1999 to 2004, Mr. Zhao served as the project manager of Shandong Mobile Communication Engineering Department. From 2006 to 2007, Mr. Zhao served as the strategy and planning manager of the department of enterprise development of China Satellite Communication Co. Ltd.. From 2008 to March 2009, Mr. Zhao served as the head of the department of strategy development of China Direct Broadcast Satellite Co., Ltd.. Since March 2009, Mr. Zhao has served as the deputy manager of the department of enterprise development of China Satellite Communications Co. Ltd. Mr. Zhao was appointed as a Supervisor on 15 May 2013.

Ms. Yan Mengmeng, 53, is a director of the laser phototypesetting centre of the Company. Ms. Yan was awarded a postgraduate certificate in business management from the Capital University of Economics and Business. From June 1983 to June 1991, Ms. Yan worked as a secretary of the Office of the China Electronic Press Association and became a secretary of the Office of the Exhibition and Design Association under the China Electronic Press Association. Starting from June 1991, Ms. Yan joined BYDA as a coordinator of the laser phototypesetting office and was promoted to deputy director and then director of the laser phototypesetting office of BYDA in June 1992 and March 1993 respectively. Ms. Yan was transferred from BYDA to the Company as the head of laser phototypesetting centre in May 2001. Ms. Yan was appointed as a Supervisor on 7 June 2010.

Ms. Li Xin, 38, is the deputy chief financial officer of the Company. Ms. Li graduated from Wuhan College of Military Economic Management majoring in financial management in 2003. Ms. Li served as accountant officer and financial manager successively of the Beijing East Intellectual Agency Property Co., Ltd. during the years from 2004 to 2009. Ms. Li joined the Company in August 2010, and has served as the assistant of chief financial officer. Ms. Li has been served as the deputy chief financial officer of the Company since 9 July 2015. Ms. Li was appointed as a Supervisor on 31 March 2015.

SENIOR MANAGEMENT

Mr. Du Min, 49, is the executive vice president of the Company. Mr. Du graduated in 1991 from Renmin University of China with a bachelor's degree in law. Mr. Du studied a master course of journalism at Renmin University of China from 1993 to 1995, graduated from Wuhan University in 2013 with a doctoral degree and is currently a part-time professor at Hunan Institute of Science and Technology. Mr. Du held a number of different positions such as editor, reporter and department head of China Business Times from July 1991 to July 1995. Mr. Du became the vice president and the deputy chief editor of China Business starting from August 1995. In September 1998, Mr. Du joined the America International Data Group's branch in China as a vice president. Mr. Du then served as the vice president of Shanghai Meining Computer Software Company Limited from July 2000 to September 2002 before acting as the general manager of the Company in December 2002. Mr. Du was an executive Director between 30 December 2002 and 7 June 2010. Mr. Du was appointed as the executive vice president of the Company in October 2004.

Mr. Duan Gang. For details of the biographical information of Mr. Duan Gang, please refer to the profile of executive Director.

Mr. Peng Liang. For details of the biographical information of Mr. Peng Liang, please refer to the profile of executive Director.

Mr. Shang Da. For details of the biographical information of Mr. Shang Da, please refer to the profile of executive Director.

Mr. Chen Yuming, 54. Mr. Chen graduated in 1981 from Tianjin Railway Engineering School with a major in railway signal. Subsequently, he studied in and graduated from Beijing Normal University with a major in Chinese language in 1986; and Renmin University of China with a major in journalism in 1989. In 2009, he obtained a master's degree in business administration from China Center for Economic Research at Peking University. From 1981 to 1988, Mr. Chen worked in Beijing Railway Administration as an assistant engineer; from 1989 to 1990, he was the secretary of the Standing Committee of National People's Congress of Fengtai District in Beijing. Since 1991, Mr. Chen worked in BYDA and held various positions, including editor, reporter, deputy director of Editorial Division of News Weekly, deputy director of Economy Division, chief editor of Home Appliance Times (家電時代) and feature reporter. Mr. Chen was rewarded numerous journalism awards, including China News Award. Also, he has published his own collection of news articles. In 2005, Mr. Chen served in the editorial board of First Financial News as well as the director of Beijing Branch. Since 2013, Mr. Chen has served as the general manager of Beiqing Outdoor. Mr. Chen served as the vice president of the Company during the period from 17 December 2014 to 17 April 2017.

The Board is pleased to present the annual report and the audited consolidated financial statements for the year ended 31 December 2016.

ISSUE AND LISTING OF SHARES

The Company's H Shares were listed on the Main Board of the Hong Kong Stock Exchange on 22 December 2004. Under the Hong Kong public offering and international placing, 54,901,000 shares (including 7,161,000 over-allotment shares) were issued at an offer price of HKD18.95 per share.

The highest and lowest trading prices of the Company's H Shares per share were HKD5.68 and HKD3.75 respectively for the year ended 31 December 2016. On 31 December 2016, there was no trading of shares and the closing price was HKD3.80 per share.

ACCOUNTS

Financial position of the Group as at 31 December 2016 are set out on pages 75 to 76 of the consolidated balance sheet.

Results of the Group for the year ended 31 December 2016 are set out on pages 77 to 78 of the consolidated income statement.

Cash flows of the Group for the year ended 31 December 2016 are set out on pages 79 to 80 of consolidated cash flow statement.

Changes in equity of the Group for the year ended 31 December 2016 are set out on page 81 of the consolidated statement of changes in shareholders' equity.

PRINCIPAL BUSINESS

The Group is principally engaged in the sales of advertising space, production and printing of newspapers and trading of print-related materials. Details of the business of the Company's principal subsidiaries are set out in note X. "DISCLOSURE OF INTERESTS IN OTHER ENTITIES" to the financial statements. Further discussions of business as required by Schedule 5 to the Company Ordinance, including the discussion on major risks and uncertainties faced by the Group, and discussions in respect of the possible future development of business of the Group in the future, is included in the Management Discussion and Analysis, and Corporate Governance Report of this annual report. The discussion is a part of this Report of the Board of Directors.

DIVIDEND

The Board did not propose a dividend for the year ended 31 December 2016.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2016, the total purchase by the Group from its five largest suppliers was RMB160,052 thousand (2015: RMB207,367 thousand), accounting for 0.04% of its total purchase for the year of 2016 (2015: 61.03%); and the purchase from the largest supplier was RMB51,906 thousand (2015: RMB61,385 thousand), accounting for 0.01% of its total purchase for the year of 2016 (2015: 18.07%).

MAJOR SUPPLIERS AND CUSTOMERS *(Continued)*

For the year ended 31 December 2016, the total sales by the Group to its five largest customers was RMB82,011 thousand (2015: RMB94,213 thousand), accounting for 16.97% of its total sales for the year of 2016 (2015: 18.50%); and the amount of sales to the largest customer was RMB25,766 thousand (2015: RMB33,794 thousand), accounting for 5.33% of its total sales for the year of 2016 (2015: 6.64%).

For the year ended 31 December 2016, the purchase by the Group from BYDA, the controlling shareholder of the Group, was RMB19,324 thousand. Besides, as far as the Directors are aware, none of the Directors, their associates nor Shareholders who are interested in more than 5% of the Company's total issued shares has any interest in the Group's five largest suppliers or customers.

SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

As at 31 December 2016, the subsidiaries of the Company include BYD Logistics, Beiqing Long Teng, Beiqing CéCi, Beiqing Network Culture, Qingyou Information, Beiqing Community Media, Beiqing Outdoor, Chongqing Media, Chongqing Pu Lantian Western Food Co. and CHONG QING YOUTH (AMERICA) LLC.

As at 31 December 2016, the associates of the Company include Beijing Beiqing Top Advertising Limited, Beijing Leisure Trend Advertising Company Limited, Beijing Beiqing Shengda Automobile Service Company Limited, Beijing Beisheng United Insurance Agency Co., Ltd., BY Time Consulting Co., Ltd., Hebei Jujingcai E-commerce Company Limited, Beijing Lingshi Technology Ltd. and Chongqing Soyang Internet Technology Co., Ltd.

For details of principal subsidiaries, jointly-controlled entities and associates of the Company, please refer to note X. "DISCLOSURE OF INTERESTS IN OTHER ENTITIES", to the financial statements in this annual report.

RESERVES

The change in reserve is set out in the consolidated statement of changes in shareholders' equity on page 81 of this annual report.

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

FIXED ASSETS

The movements in investment properties and fixed assets during the year of 2016 are set out in note VIII.11 and VIII.12 to the financial statements in this annual report, respectively.

SHARE CAPITAL, SHARE CAPITAL STRUCTURE AND NUMBER OF SHAREHOLDERS

As at 31 December 2016, the total number of shares issued by the Company was 197,310,000 shares. The Shareholders of the Company include BYDA, Beijing Zhijin Science and Technology Investment Co., Ltd., China Telecommunication Broadcast Satellite Co., Ltd., Beijing Development Area Ltd., Sino Television Co., Ltd. and public Shareholders of H Shares, holding 124,839,974 Domestic Shares, 7,367,000 Domestic Shares, 4,263,117 Domestic Shares, 2,986,109 Domestic Shares, 2,952,800 Domestic Shares and 54,901,000 H Shares respectively, representing 63.27%, 3.73%, 2.16%, 1.52%, 1.50% and 27.82%, of the Company's total share capital.

Class of Shares	Number of issued shares	Percentage	Number of Shareholders *
Domestic Shares	142,409,000	72.18%	5
H Shares	54,901,000	27.82%	342
Total	197,310,000	100%	347

* The above mentioned percentage figures are based on the records in the Company's register of members as at 31 December 2016.

PUBLIC FLOAT

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, so far as the Directors, the Supervisors and chief executive of the Company are aware, according to the register of interests and/or short positions in shares required to be kept pursuant to Section 336 of Part XV of the 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	Percentage to Class of Issued Share Capital (%)	Percentage to Total Share Capital (%)
BYDA	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
Jia Yueting	H	Long	19,533,000	35.58	9.90
Leshi Internet Information & Technology Corp., Beijing	H	Long	19,533,000	35.58	9.90
Beijing Beida Founder Group Corporation	H	Long	4,939,000	8.99	2.50
Beijing University	H	Long	4,939,000	8.99	2.50
Beijing University Founder Investment Co., Ltd.	H	Long	4,939,000	8.99	2.50
Beijing University New Technology Corporation	H	Long	4,939,000	8.99	2.50
CITICITI Ltd.	H	Long	4,939,000	8.99	2.50
Founder Investment (HK) Ltd.	H	Long	4,939,000	8.99	2.50
Yue Shan International Limited	H	Long	4,939,000	8.99	2.50
Xia Jie	H	Long	4,939,000	8.99	2.50
Cao Yawen	H	Long	4,939,000	8.99	2.50

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

Save as disclosed above, to the best knowledge of the Directors, Supervisors and chief executive of the Company, as at 31 December 2016, there was no other person with interests and/or short positions in shares or underlying shares of the Company which would fall to be recorded under section 336 of the SFO.

ULTIMATE CONTROLLING SHAREHOLDER

BYDA is the ultimate controlling Shareholder of the Company. As at 31 December 2016, BYDA was interested in 63.27% of the Company's equity.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of no more than three years.

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

PERMITTED INDEMNITY PROVISION

The Company maintained Directors' liability insurance to protect them from all costs, charges, losses, expenses and liabilities incurred in the execution and discharge of their duties or related thereto pursuant to the applicable laws and within the scope of Director's liability insurance. Such provisions were in force during the year ended 31 December 2016 and remain in force as of the date of this report.

DIRECTORS' AND SUPERVISORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Neither the Company nor any of its subsidiaries has entered into any transaction, arrangement or contract of significance to the business of the Company or its controlling companies, subsidiaries and fellow subsidiaries in which any Director or Supervisor or their respective connected entities had material interests as at the balance sheet date or at any time during the year of 2016.

MANAGEMENT CONTRACT

During the Reporting Period, the Company had not entered into nor there was any contract which was related to the management of the overall business or a material part of the business of the Company.

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

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

EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the emoluments of Directors, Supervisors and Senior Management are set out in note VIII.42 to the financial statements.

The non-executive Directors and Supervisors who also serves in the BYDA ceased to receive remuneration from the Company since 1 July 2014.

During the Reporting Period, there was no arrangement whereby any Director or Supervisor of the Company waived to receive the remuneration from the Company.

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

As at 31 December 2016, none of 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 associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Hong Kong Stock Exchange.

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CHANGES OF MEMBERS OF THE BOARD AND THE SUPERVISOR COMMITTEE

On the Company's first extraordinary general meeting of 2016 held on 26 January 2016, Mr. Liu Hong was appointed as a non-executive Director of the 5th session of the Board. For details, please refer to the announcement dated 26 January 2016 published by the Company on the websites of Hong Kong Stock Exchange and the Company.

Ms. Yan Mengmeng and Ms. Li Xin were democratically re-elected as the employee representative Supervisors of the 6th session of the Supervisory Committee on the meeting of employee representatives of the Company. For details, please refer to the announcement dated 31 March 2016 published by the Company on the websites of Hong Kong Stock Exchange and the Company.

On 30 June 2016, as the term of office of the 5th session of the Board of the Company expired, Mr. Li Shiheng, Mr. Liu Han, Ms. Wu Peihua, Mr. Song Jianwu and Mr. Cui Baoguo retired from their positions as Directors. For details, please refer to the announcement dated 31 March 2016 published by the Company on the websites of Hong Kong Stock Exchange and the Company.

On the annual general meeting of the Company held on 30 June 2016, (i) Mr. Peng Liang, Mr. Duan Gang and Mr. Shang Da were appointed as the executive Directors of the 6th session of the Board; and Mr. Wu Changqi and Mr. Chow Bing Chuen were appointed as the independent non-executive Directors of the 6th session of the Board; (ii) Mr. Zhang Yanping, Mr. Yu Haibo and Ms. He Xiaona were re-elected as the executive Directors of the 6th session of the Board; Mr. Li Xiaobing, Mr. Wang Lin, Mr. Xu Xun and Mr. Liu Hong were re-elected as the non-executive Directors of the 6th session of the Board; Mr. Wu Tak Lung, Mr. Cui Enqing and Mr. Chen Ji were re-elected as the independent non-executive Directors of the 6th session of the Board; (iii) Mr. Tian Kewu, Mr. Zhang Chuanshui, and Mr. Zhao Meng were re-elected as the shareholder representative Supervisors of the 6th session of the Supervisory Committee. For details, please refer to the announcement dated 30 June 2016 published by the Company on the websites of Hong Kong Stock Exchange and the Company.

On 1 July 2016, Mr. Chow Bing Chuen resigned from his position as the chief financial officer of Shanghai Taolue Media Co., Ltd. (上海濤略廣告有限公司) and was appointed as a director of such company on the same day.

On 31 March 2017, (i) due to adjustment of work arrangement, Mr. Duan Gang resigned from the position as an executive Director of the 6th session of the Board, and Mr. Li Xiaobing and Mr. Wang Lin resigned from the positions as non-executive Directors of the 6th session of the Board; (ii) due to adjustment of work arrangement, Mr. Tian Kewu resigned from the position of the shareholder representative Supervisors of the 6th session of the Supervisory Committee. For details, please refer to the announcement of the Company dated 31 March 2017 published on the websites of Hong Kong Stock Exchange and the Company.

On 31 March 2017, (i) Ms. Yang Wenjian was nominated as an executive Director of the 6th session of the Board, and Ms. Zang Furong and Mr. Wu Bin were nominated as non-executive Directors of the 6th session of the Board; (ii) Mr. Zhang Zhibing was nominated as the shareholder representative Supervisors of the 6th session of the Supervisory Committee. The appointment of the aforesaid Directors and Supervisors are subject to the approval at the general meeting of the Company. For details, please refer to the announcement of the Company dated 31 March 2017 published on the websites of Hong Kong Stock Exchange and the Company.

Save as disclosed above, there was no change in the members of the Board and the Supervisory Committee during the Reporting Period and up to the date of this report.

AUDIT COMMITTEE

The Company has set up an Audit Committee to review, supervise and adjust the financial reporting process and internal controls of the Group in accordance with the requirements of the Listing Rules. During the year 2016, the Audit Committee comprises two independent non-executive Directors and one non-executive Director.

The Audit Committee and the management of the Company have reviewed the accounting principles and practices adopted by the Group. In addition, the Audit Committee has discussed with the Directors on matters concerning the internal control and financial reporting of the Company, including reviewing of the audited consolidated financial statements of the Group for the year of 2016 without dissenting opinions.

PRE-EMPTIVE RIGHTS

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

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

As at 31 December 2016, the bank borrowings of the Group was RMB12,000 thousand.

CONNECTED TRANSACTIONS

Connected transactions of the Group during the Reporting Period are set out as follows:

Transactions – Non-exempt Connected Transactions

1. *Non-competition Agreement*

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

During the Reporting Period, no decision was made by the Directors (including the independent non-executive Directors) to exercise or not to exercise the option and/or pre-emptive right.

2. *Mutual Property Tenancy Agreement*

The Company renewed the mutual property tenancy agreement with the Parent on 22 October 2015 for a term of three years from 1 January 2016 to 31 December 2018. Upon expiry, the mutual property tenancy agreement will, subject to the compliance with the relevant requirements under the Listing Rules and the agreement of the parties, be renewed for a further term of three years. Pursuant to the mutual property tenancy agreement, the Parent agreed to lease from the Company the floor area of 415 square meters on 5th floor, the floor area of 415 square meters on 8th floor, the whole of 19th, and the whole of 23rd floors of the Beijing Youth Daily Agency Building amounting to a total floor area of 2,340 square meters; whereas the Company agreed to lease from the Parent the whole of 7th floor of the Beijing Youth Daily Agency Building amounting to a total floor area of 830 square meters.

CONNECTED TRANSACTIONS (Continued)**Transactions – Non-exempt Connected Transactions** (Continued)**2. Mutual Property Tenancy Agreement** (Continued)

The annual rental of RMB5,380,830 payable by the Parent under the mutual property tenancy agreement throughout the tenancy period is calculated based on a daily rental of RMB6.3 per square meter which is the same rental as payable during the period of the three years ending 31 December 2018. The annual rental of RMB1,908,585 payable by the Company under the mutual property tenancy agreement throughout the tenancy period is calculated based on a daily rental of RMB6.3 per square meter which is the same rental as payable during the period of the three years ending 31 December 2018. The unit rental under the mutual property tenancy agreement, which is determined by reference to the rental information of at least two properties of similar specification and sizes in similar locations and after arm's length negotiation based on market terms, increased approximately 40% as compared with that under the mutual property tenancy agreement entered into between the Group and the Parent on 31 October 2012. The rentals under the mutual property tenancy agreement are payable by cash in a lump sum or by installments pursuant to the mutual property tenancy agreement and funded by the Group's and the Parent Group's internal resources. For details, please refer to the announcement dated 22 October 2015 published by the Company on the websites of Hong Kong Stock Exchange and the Company.

The Parent is the controlling Shareholder of the Company, and therefore a connected person of the Company under the Listing Rules. During the Reporting Period, the annual cap for rental payable by the Parent to the Company was RMB5,380,830, while the actual rental received by the Company from the Parent was RMB5,022,905. The annual cap for rental payable by the Company to the Parent was RMB1,908,585, while the actual rental paid by the Company to the Parent was RMB1,781,629.

3. Distribution Services Framework Agreement

The Company renewed the distribution services framework agreement with the Parent on 22 October 2015 for a term of three years from 1 January 2016 to 31 December 2018. Upon expiry, the distribution services framework agreement will, subject to the compliance with the relevant requirements under the Listing Rules and the agreement of the parties, be renewed for a further term of three years. Pursuant to the distribution services framework agreement, the Parent Group was engaged by the Company to distribute its direct mail advertisements and its wrap-around advertisements to the subscribers of Beijing Youth Daily. Under the Distribution Services Framework Agreement, the distribution fee for the direct mail advertisement shall be RMB0.08 per page, and the distribution fee for the wrap-around advertisements shall be determined according to the market conditions, but in any event shall fall within the range of RMB0.08 and RMB0.50 per page. The pricing mechanism under the distribution services framework agreement is comparable to the fees charged by the PRC public postal services. The distribution fees payable by the Company to the Parent under the distribution services framework agreement are payable by cash on a monthly basis and funded by the Company's internal resources. For details, please refer to the announcement dated 22 October 2015 published by the Company on the websites of the Hong Kong Stock Exchange and the Company.

The Parent is the controlling Shareholder of the Company, and therefore the Parent Group is connected person of the Company under the Listing Rules. During the Reporting Period, the annual cap for fees payable by the Company to the Parent was RMB3,000,000, and the actual amount paid was RMB639,753.

CONNECTED TRANSACTIONS (Continued)**Transactions – Non-exempt Connected Transactions** (Continued)**4. Advertising Agency Framework Agreement**

The Company and the Parent entered into the advertising agency framework agreement on 22 October 2015, with a term from 1 January 2016 to 31 December 2018. Upon expiry, the advertising agency framework agreement will, subject to, compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years. Pursuant to the advertising agency framework agreement, (1) the Parent shall authorize the Group to act as the advertising agent of the Parent Group to sell advertising space in the journals or media and the emerging media resources in the possession of or represented by the Parent Group (excluding Beijing Youth Daily) and to provide related services; (2) the Company shall authorize the Parent Group to act as the advertising agent of the Group to sell advertising space in the Beijing Youth Daily and other journals or media and the emerging media resources in the possession of or represented by the Group and to provide related services. Under the advertising agency framework agreement, the price shall be determined in accordance with the contract price agreed by the Company and the Parent, which shall be no less favorable to the Company than those available to independent third parties. The contract price shall be determined after arm's length negotiations between the Company and the Parent according to unit price set out in the standard advertising price lists of the Company and the Parent (subject to applicable discounts: generally at around 30%-50% discount which is also applicable to independent third parties and thus no less favorable than available to independent third parties, and the specific discount is determined also with reference to the industry nature, market circumstances, placement position and publishing time, etc.), actual placement quantity, size and other factors. The standard price lists of the Company and the Parent are determined with reference to the placement size, placement position and the placement color (color or black and white) and are disclosed on the advertising rate card formulated and published by the Company and the Parent in that year, respectively. The aforesaid standard price lists of the Company and the Parent are also applicable to advertising agency agreements with other independent third parties. The Company believes that the standard price list are fair and reasonable, and on normal commercial. The consideration under the advertising agency framework agreement are payable by cash in a lump sum or by instalments according to the specific and separate implementation agreements and funded by the relevant party's internal resources.

The details are set out in the announcements dated 22 October 2015 and 26 January 2016 published on the websites of Hong Kong Stock Exchange and the Company, respectively, and circular dated 11 December 2015 published on the websites of Hong Kong Stock Exchange and the Company.

The Parent is the controlling shareholder of the Company and therefore the Parent Group is connected person of the Company under the Listing Rules.

During the Reporting Period, the annual cap of advertising placement fee payable by the Parent to the Company was RMB50,000,000 and the actual amount paid was RMB490,566. The annual cap of advertising placement fee payable by the Company to the Parent was RMB50,000,000 and the actual amount paid was RMB550,374.

CONNECTED TRANSACTIONS (Continued)**Transactions – Non-exempt Connected Transactions (Continued)****5. Advertising Business Agreement**

The Company and the Parent entered into the advertising business agreement and the supplemental agreement of advertising business agreement on 7 December 2004 and 9 April 2010, respectively. Pursuant to such agreements, the Parent agreed to grant exclusive rights to the Company to operate the advertising business in respect of the Beijing Youth Daily for a duration of 30 years from 1 October 2004 to 30 September 2033, which will automatically be renewable upon expiry, subject to compliance with the requirements of the Listing Rules. The rights granted include the right to sell all of the advertising space in Beijing Youth Daily, and the Company is entitled to all revenue from such sales. In consideration, the Company will (a) be responsible for the printing, including printing costs and the choice of newsprint of Beijing Youth Daily; (b) pay the Parent a fee representing 16.5% of the total advertising revenue generated from Beijing Youth Daily or such figure or formula as agreed by parties in the future; and (c) allocate to the Parent up to 360 pages per year of advertising space in Beijing Youth Daily for publicity announcements and notices (provided that the advertising space allocated will not exceed 9% of the total advertising space of the paper in each issuance), for which no extra fee will be paid by the Parent. The consideration under the advertising business agreement is payable by cash on a monthly basis according to the advertising business agreement and funded by the Company's internal resources. On 22 October 2015, the Company renewed the annual caps of the transactions for the three years ending 31 December 2018. The details are set out in the announcements dated 22 October 2015 and 26 January 2016 published on the websites of Hong Kong Stock Exchange and the Company, respectively, and circular dated 11 December 2015 published on the websites of Hong Kong Stock Exchange and the Company.

The Parent is the controlling Shareholder of the Company, and therefore a connected person of the Company under the Listing Rules.

During the Reporting Period, the annual cap for fees payable by the Company to the Parent was RMB55,000,000, and the actual fees paid were RMB18,622,044.

6. Printing Framework Agreement

On 22 October 2015, BYD Logistics and the Parent renewed the printing framework agreement for a term of three years from 1 January 2016 to 31 December 2018. Upon expiry, the printing framework agreement will, subject to the compliance with the relevant requirements under the Listing Rules and the agreement of the parties, be renewed for a further term of three years. Pursuant to the printing framework agreement, BYD Logistics has agreed to provide printing services and printing materials to the Parent in respect of the relevant newspapers and magazines of the Parent (excluding Beijing Youth Daily) and other newspapers and magazines of the Parent which may be introduced by it from time to time. Under the printing framework agreement, the price shall be determined in accordance with the following pricing principles: 1) the relevant market price, which is determined by reference to the prevailing market prices for comparable services which are available on an arm's length basis and provided by at least two independent services providers located in the same region or surrounding areas thereof; and 2) where there is no relevant market price, then the contracted price agreed by both parties, which shall be determined on the basis of reasonable cost plus reasonable profit margin: a) the reasonable cost shall be determined by reference to the operation cost and labor cost of the products and/or services provided by BYD Logistics, and the payback period; and b) the expected profit margin is from 2.5% to 7%, which is line with the industry and not lower than the profit rate charged to independent third parties by BYD Logistics. The above-mentioned range of profit is determined by reference to the profit margin of the prevailing market and the then market for the products and/or services as contemplated thereunder, the average profit margin in the related industry, and/or the overall profit margin of the BYD Logistics in the past years. The consideration under the printing framework agreement are payable by installments pursuant to the agreed payback period and according to the specific and separate implementation agreements and funded by the relevant party's internal resources. The details are set out in the announcements of the Company dated 22 October 2015 and 26 January 2016 published on the websites of Hong Kong Stock Exchange and the Company, respectively, and circular of the Company dated 11 December 2015 published on the websites of Hong Kong Stock Exchange and the Company.

CONNECTED TRANSACTIONS *(Continued)*

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

6. Printing Framework Agreement *(Continued)*

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

During the Reporting Period, the annual cap for fees payable by the Parent to BYD Logistics was RMB40,000,000, and the actual fees paid were RMB16,504,034.

The Company has confirmed that the execution and enforcement of the implementation agreements under the continuing connected transactions set above for the year ended 31 December 2016 have followed the pricing principles of such continuing connected transactions.

The Directors (including the independent non-executive Directors) have confirmed to the Board that they have reviewed the above continuing connected transactions under items 2 to 6, and confirmed that these transactions were: (A) entered into during the usual and ordinary course of business of the Group; (B) on normal commercial terms or better; and (C) based on agreements regulating relevant transactions, on fair and reasonable terms, in the interests of the Company and the Shareholders as a whole and have not exceeded any cap for the aforesaid transactions.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with "No. 3101 of the Chinese Institute of Certified Public Accountants Other Verifying Business Standards – Verifying Businesses Other Than the Audit or Review of Historical Financial Information" issued by Ministry of Finance of the PRC and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group above pursuant to Rule 14A.56 of the Listing Rules. A copy of the auditor's letter on continuing connected transactions has been provided by the Company to Hong Kong Stock Exchange.

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

MATERIAL LITIGATION

To the knowledge of the Board, as at 31 December 2016, the Company was not involved in any material litigation or arbitration and there was no legal action or claim pending, made or threatened to be made against the Company.

RETIREMENT SCHEME

All the full time employees of the Group are covered by a government-managed retirement benefit scheme under which the employees are entitled to an annual pension equal to their basic salaries upon their retirements. The PRC government is responsible for payment of the pension to these retired employees. The Group was required to make defined contributions to the pension scheme at the rate of 20% of the employees' basic salaries for the year ended 31 December 2016 (2015: 20%), which is subject to certain cap as stipulated by the relevant local government. Under this scheme, the Group has no obligation for other retirement benefit beyond the annual contributions.

STAFF

As at 31 December 2016, the Group had a total of 567 staff members (31 December 2015: 773). The decrease in the number of the staff as compared with 2015 was mainly due to the reasonable decrease of the normal business needs of the Company and the staff recruitment requirements of the Company and its subsidiaries, Beiqing Community Media and Qingyou Information. For the 12 months ended 31 December 2016, the Group's employee remuneration amounted to approximately RMB83,973 thousand in total. The staff remuneration and benefits of the Group are both determined by reference to market rates, national policies and individual performance. The Group actively encouraged the self-development of the employees, and carried out extensive staff training activities. In 2016, the Group carried out a number of staff trainings in respect of marketing, financial system and administrative management system.

REMUNERATION POLICY

The Company has set up the Remuneration Committee under the Board, which is responsible for formulating remuneration policy and making proposal regarding the remunerations of the Directors and senior management of the Company to the Board. The remunerations of the Directors of the Company are determined by the Remuneration Committee as authorized by the general meeting of the Company. The remuneration of Supervisors of the Company shall be approved by the general meeting of the Company. The remuneration of the Company is determined and realized according to the duties of the Directors, Supervisors and senior management and the Company's operating performance.

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

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

The Company pays housing funds and social security funds on behalf of employees on a monthly basis, according to the relevant national and local laws and regulations on labour affairs and social security. In particular, social security funds include pension insurance, medical insurance, unemployment insurance, maternity insurance and work injury insurance, etc.

AUDITOR

It was approved at the annual general meeting of the Company held on 30 June 2016 that ShineWing Certified Public Accountants (Special General Partnership) was appointed as the auditor of the Company for the year 2016, which shall audit the financial statements of the Company in accordance with the China Auditing Standards and take on the duties of international auditor under the Listing Rules. The Audit Committee was authorised to determine its remuneration.

The consolidated financial statements of the Company for the year of 2016 prepared in accordance with the China Accounting Standards were audited by ShineWing Certified Public Accountants (Special General Partnership), which has been serving as the auditor of the Company since 2009.

TAXATION

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

By order of the Board
ZHANG Yanping
Chairman of the Board

31 March 2017
Beijing, the PRC

1. OVERVIEW OF CORPORATE GOVERNANCE

The Company always attaches a primary priority to the implementation of a well-established, sound and rational corporate governance framework. Currently, the corporate governance documents of the Company include but not limited to the following documents:

- (1) Articles of Association of Beijing Media Corporation Limited;
- (2) Internal Control Handbook of Beijing Media Corporation Limited, including but not limited to the following policies and procedures:
 - Procedures of Disclosure and Inspection of Connected Transactions;
 - Administrative Procedures on Internal Fraud; and
 - Administrative Procedures on Investors Relation.

The Board has reviewed the corporate governance documents adopted by the Company and believed that such documents are compliant with all the requirements of code provisions set out in the Corporate Governance Code and Corporate Governance Report under Appendix 14 to the Listing Rules.

2. CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has been in full compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report under Appendix 14 to the Listing Rules for the year ended 31 December 2016.

3. COMPLIANCE WITH THE MODEL CODE

In respect of securities transactions of Directors and Supervisors, the Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transactions by its Directors and Supervisors. Having made sufficient enquiries to Directors and Supervisors, all Directors and Supervisors confirmed they have complied with the required standards under the Model Code for the year ended 31 December 2016.

4. THE BOARD

Set forth below are the composition of the Board and relevant information as at 31 December 2016:

Name	Gender	Age	Other positions in the Company	Term of directorship	Remunerated by the Company
Executive Directors					
Zhang Yanping	M	59	Chairman	30 June 2016 to the annual general meeting of the Company for 2018	Yes
Yu Haibo	M	44	Vice chairman, president	30 June 2016 to the annual general meeting of the Company for 2018	Yes
He Xiaona	F	54	Executive vice president	30 June 2016 to the annual general meeting of the Company for 2018	Yes
Peng Liang ^{Note 1}	M	44	Chief financial officer	30 June 2016 to the annual general meeting of the Company for 2018	Yes
Duan Gang ^{Note 1}	M	49	Executive vice president	30 June 2016 to 31 March 2017	Yes
Shang Da ^{Note 1}	M	55	Vice president	30 June 2016 to the annual general meeting of the Company for 2018	Yes
Non-executive Directors					
Li Xiaobing ^{Note 2}	M	47		30 June 2016 to 31 March 2017	No
Wang Lin ^{Note 2}	M	49		30 June 2016 to 31 March 2017	No
Xu Xun	M	61		30 June 2016 to the annual general meeting of the Company for 2018	Yes
Liu Hong ^{Note 3}	M	43		30 June 2016 to the annual general meeting of the Company for 2018	Yes
Independent Non-executive Directors					
Wu Tak Lung	M	51		30 June 2016 to the annual general meeting of the Company for 2018	Yes
Cui Enqing	M	73		30 June 2016 to the annual general meeting of the Company for 2018	Yes
Chen Ji	M	65		30 June 2016 to the annual general meeting of the Company for 2018	Yes
Wu Changqi ^{Note 4}	M	62		30 June 2016 to the annual general meeting of the Company for 2018	Yes
Chow Bing Chuen ^{Note 4}	M	50		30 June 2016 to the annual general meeting of the Company for 2018	Yes

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

4. THE BOARD (Continued)

Notes:

1. Upon the approval at the annual general meeting of the Company on 30 June 2016, Mr. Peng Liang, Mr. Duan Gang and Mr. Shang Da were appointed as the executive Directors of the 6th session of the Board. Please refer to the announcement of the Company dated 30 June 2016 for details. On 31 March 2017, Mr. Duan Gang resigned from the position as an executive Director of the 6th session of the Board and an executive vice president of the Company due to job adjustment. Upon the approval at the seventh meeting of the 6th session of the Board on 31 March 2017, Mr. Peng Liang was appointed as an executive vice president of the Company. Please refer to the announcement of the Company dated 31 March 2017 for details.
2. On 31 March 2017, Mr. Li Xiaobing and Mr. Wang Lin resigned from the positions as non-executive Directors of the 6th session of the Board due to job adjustment. Please refer to the announcement of the Company dated 31 March 2017 for details.
3. Upon the approval at the 2016 first extraordinary general meeting of the Company held on 26 January 2016, Mr. Liu Hong was appointed as a non-executive Director of the 5th session of the Board and he was re-appointed as a non-executive Director of the 6th session of the Board upon the approval at the annual general meeting of the Company on 30 June 2016. Please refer to the announcements of the Company dated 26 January 2016 and 30 June 2016 for details.
4. Upon the approval at the annual general meeting of the Company held on 30 June 2016, Mr. Wu Changqi and Mr. Chow Bing Chuen were appointed as independent non-executive Directors of the 6th session of the Board. Please refer to the announcement of the Company dated 30 June 2016 for details.

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

- determination of the operational plan and investment proposals of the Company;
- formulation of the annual budget and budget implementation proposals of the Company;
- formulation of proposals of profit distribution and recovery of losses of the Company;
- formulation of proposals for increasing or reducing registered capital and issue of corporate bonds of the Company;
- formulation of proposals for the mergers, spin-off or winding-up of the Company;
- determination on the internal management structure of the Company;
- appointment and removal of the president and executive vice president of the Company, appointment and removal of the vice president and other senior management members (including the chief financial officer) as nominated by the president, and determination of their respective remuneration;
- setting up the basic management systems of the Company;

4. THE BOARD *(Continued)*

- formulation of proposals for amendments to Articles of Association;
- formulation of proposals for material acquisitions or disposals of the Company.

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

- formulation of proposal for the internal management structure of the Company;
- formulation of proposal for the basic management systems of the Company;
- formulation of the basic regulations of the Company;
- recommendation on appointment or removal of other senior management members (including the chief financial officer) of the Company;
- appointment or removal of chief officers other than those subject to the appointment and removal by the Board;
- formulation of proposal on the branch structure and determination on establishment of branch of the Company;
- appointment, replacement and recommendation on the shareholder's representatives, directors or supervisors of subsidiaries or associated companies of the Company.

During the Reporting Period, the composition of the Board has at any time been in compliance with Rule 3.10 (1) of the Listing Rules, which requires a minimum of three independent non-executive directors on board, with Rule 3.10A of the Listing Rules, which requires independent non-executive directors to represent at least one-third of the board, and with Rule 3.10 (2) of the Listing Rules, which requires that at least one of the independent non-executive directors must possess appropriate professional qualification, or accounting or relevant financial management expertise.

A total of thirteen Board meetings were convened during the year of 2016, and the attendance rate of individual Directors at Board meetings is as follows:

4. THE BOARD (Continued)

	Attendance in person (times)	Attendance by proxy (times)
Executive Directors		
Zhang Yanping	13	–
Yu Haibo	12	1
He Xiaona	13	–
Peng Liang ^{Note 1}	3	1
Duan Gang ^{Note 2}	3	1
Shang Da ^{Note 3}	4	–
Non-executive Directors		
Li Shiheng ^{Note 4}	8	1
Liu Han ^{Note 5}	8	1
Wu Peihua ^{Note 6}	8	1
Li Xiaobing	13	–
Wang Lin	13	–
Xu Yun	10	3
Liu Hong ^{Note 7}	9	3
Independent Non-executive Directors		
Song Jianwu ^{Note 8}	8	1
Cui Baoguo ^{Note 9}	8	1
Wu Tak Lung	13	–
Cui Enqing	12	1
Chen Ji	12	1
Wu Changqi ^{Note 10}	2	2
Chow Bing Chuen ^{Note 11}	4	–

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

Notes:

1. Upon approval at the 2015 annual general meeting of the Company, Mr. Peng Liang was appointed as an executive Director of the 6th session of the Board. Mr. Peng has attended 4 Board meetings of the Company convened during his tenure of service during the year ended 31 December 2016.
2. Upon approval at the 2015 annual general meeting of the Company, Mr. Duan Gang was appointed as an executive Director of the 6th session of the Board. Mr. Duan has attended 4 Board meetings of the Company convened during his tenure of service during the year ended 31 December 2016.

4. THE BOARD *(Continued)*Notes: *(Continued)*

3. Upon approval at the 2015 annual general meeting of the Company, Mr. Shang Da was appointed as an executive Director of the 6th session of the Board of the Company, Mr. Shang has attended 4 Board meetings of the Company convened during his tenure of service during the year ended 31 December 2016.
4. As the term of office of the 5th session of the Board expired on the date of the annual general meeting of the Company, Mr. Li Shiheng, Director of the 5th session of the Board, retired his non-executive directorship on the date of the 2015 annual general meeting of the Company. Mr. Li has attended 9 Board meetings of the Company convened during his tenure of service during the six months ended 30 June 2016.
5. As the term of office of the 5th session of the Board expired on the date of the 2015 annual general meeting of the Company, Mr. Liu Han, Director of the 5th session of the Board, retired his non-executive directorship on the date of the 2015 annual general meeting of the Company. Mr. Liu has attended 9 Board meetings of the Company convened during his tenure of service during the six months ended 30 June 2016.
6. As the term of office of the 5th session of the Board expired on the date of the 2015 annual general meeting of the Company, Ms. Wu Peihua, Director of the 5th session of the Board, retired her non-executive directorship on the date of the 2015 annual general meeting of the Company. Ms. Wu has attended 9 Board meetings of the Company convened during her tenure of service during the six months ended 30 June 2016.
7. Upon approval at the 2016 first extraordinary general meeting of the Company held on 26 January 2016, Mr. Liu Hong was appointed a non-executive Director of the fifth session of the Board, and upon approval at the 2015 annual general meeting of the Company, Mr. Liu Hong was re-elected as a non-executive Director of the 6th session of the Board. Mr. Liu has attended 12 Board meetings of the Company convened during his tenure of service during the year ended 31 December 2016.
8. As the term of office of the 5th session of the Board expired on the date of the 2015 annual general meeting of the Company, Mr. Song Jianwu, Director of the 5th session of the Board, retired his independent non-executive directorship on the date of the annual general meeting of the Company. Mr. Song has attended 9 Board meetings of the Company convened during his tenure of service during the six months ended 30 June 2016.
9. As the term of office of the 5th session of the Board expired on the date of the 2015 annual general meeting of the Company, Mr. Cui Baoguo, Director of the 5th session of the Board, retired his independent non-executive directorship on the date of the 2015 annual general meeting of the Company. Mr. Cui has attended 9 Board meetings of the Company convened during his tenure of service during the six months ended 30 June 2016.
10. Upon approval at the 2015 annual general meeting of the Company, Mr. Wu Changqi was appointed as an independent non-executive Director of the 6th session of the Board. Mr. Wu has attended 4 Board meetings of the Company convened during his tenure of service during the year ended 31 December 2016.
11. Upon approval at the 2015 annual general meeting of the Company, Mr. Chow Bing Chuen was appointed as an independent non-executive Director of the 6th session of the Board. Mr. Chow has attended 4 Board meetings of the Company convened during his tenure of service during the year ended 31 December 2016.

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

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

4. THE BOARD (Continued)

Two general meetings of the Company were convened during the year of 2016, and the attendance rate of individual Directors at the general meeting is as follow:

	Attendance in person (times)	Attendance by proxy (times)
Executive Directors		
Zhang Yanping	2	–
Yu Haibo	2	–
He Xiaona	2	–
Peng Liang ^{Note 1}	–	–
Duan Gang ^{Note 2}	–	–
Shang Da ^{Note 3}	–	–
Non-executive Directors		
Li Shiheng ^{Note 4}	1	–
Liu Han ^{Note 5}	–	–
Wu Peihua ^{Note 6}	1	–
Li Xiaobing	2	–
Wang Lin	1	–
Xu Yun	–	–
Liu Hong ^{Note 7}	1	–
Independent Non-executive Directors		
Song Jianwu ^{Note 8}	2	–
Cui Baoguo ^{Note 9}	2	–
Wu Tak Lung	1	–
Cui Enqing	1	–
Chen Ji	1	–
Wu Changqi ^{Note 10}	–	–
Chow Bing Chuen ^{Note 11}	–	–

4. THE BOARD *(Continued)*

Notes:

1. Mr. Peng Liang was appointed as an executive Director of the 6th session of the Board at the 2015 annual general meeting of the Company on 30 June 2016. No general meeting of the Company was convened during his tenure of office.
2. Mr. Duan Gang was appointed as an executive Director of the 6th session of the Board at the 2015 annual general meeting of the Company on 30 June 2016. No general meeting of the Company was convened during his tenure of office.
3. Mr. Shang Da was appointed as an executive Director of the 6th session of the Board at the 2015 annual general meeting of the Company on 30 June 2016. No general meeting of the Company was convened during his tenure of office.
4. As the term of office of the 5th session of the Board expired on the date of the 2015 annual general meeting of the Company, Mr. Li Shiheng retired his non-executive directorship on the date of the 2015 annual general meeting of the Company. Mr. Li has attended 1 general meeting of the Company convened during his tenure of service during the six months ended 30 June 2016.
5. As the term of office of the 5th session of the Board expired on the date of the 2015 annual general meeting of the Company, Mr. Liu Han retired his non-executive directorship on the date of the 2015 annual general meeting of the Company. Mr. Liu did not attend any general meeting of the Company convened during his tenure of service during the six months ended 30 June 2016.
6. As the term of office of the 5th session of the Board expired on the date of the 2015 annual general meeting of the Company, Ms. Wu Peihua retired her non-executive directorship on the date of the 2015 annual general meeting of the Company. Ms. Wu has attended 1 general meeting of the Company convened during her tenure of service during the six months ended 30 June 2016.
7. Upon approval at the 2016 first extraordinary general meeting of the Company held on 26 January 2016, Mr. Liu Hong was appointed as a non-executive Director of the 5th session of the Board, and upon approval at the 2015 annual general meeting of the Company held on 30 June 2016, Mr. Liu Hong was re-elected as a non-executive Director of the 6th session of the Board. Mr. Liu has attended 1 general meeting of the Company convened during his tenure of service during the year ended 31 December 2016.
8. As the term of office of the 5th session of the Board expired on the date of the 2015 annual general meeting of the Company, Mr. Song Jianwu retired his independent non-executive directorship on the date of the 2015 annual general meeting of the Company. Mr. Song has attended 2 general meetings of the Company convened during his tenure of service during the six months ended 30 June 2016.
9. As the term of office of the 5th session of the Board expired on the date of the 2015 annual general meeting of the Company, Mr. Cui Baoguo retired his independent non-executive directorship on the date of the 2015 annual general meeting of the Company. Mr. Cui has attended 2 general meetings of the Company convened during his tenure of service during the six months ended 30 June 2016.
10. Mr. Wu Changqi was appointed as an independent non-executive Director of the 6th session of the Board at the 2015 annual general meeting of the Company on 30 June 2016. No general meeting of the Company was convened during his tenure of office.
11. Mr. Chow Bing Chuen was appointed as an independent non-executive Director of the 6th session of the Board at the 2015 annual general meeting of the Company on 30 June 2016. No general meeting of the Company was convened during his tenure of office.

5. CHAIRMAN AND PRESIDENT

During the Reporting Period, the posts of chairman and president of Beijing Media are assumed by Mr. Zhang Yanping and Mr. Yu Haibo, respectively.

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

6. NON-EXECUTIVE DIRECTORS

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

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

7. REMUNERATION COMMITTEE

The Remuneration Committee currently comprises two independent non-executive Directors and one executive Director. The Remuneration Committee was chaired by Mr. Cui Enqing with Mr. Chen Ji and Mr. Wu Changqi as members.

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

For details of the basis of remuneration of Directors, please refer to note VIII.42 to the financial statements.

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

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

7. REMUNERATION COMMITTEE (Continued)

Two meetings of the Remuneration Committee were convened during 2016, and the attendance rate of individual members at the meetings of the Remuneration Committee is as follows:

	Attendance in person (times)	Attendance by proxy (times)
Cui Baoguo ^{Note 1}	1	–
Yu Haibo ^{Note 1}	1	–
Cui Enqing ^{Note 2}	2	–
Chen Ji ^{Note 2}	1	–
Wu Changqi ^{Note 2}	–	1

Notes:

1. On 30 June 2016, Mr. Cui Baoguo and Mr. Yu Haibo ceased to be members of the Remuneration Committee. Please refer to the announcement of the Company dated 30 June 2016 for details.
2. Upon approval by the Board on 30 June 2016, the Remuneration Committee of the 6th session of the Board consists of Mr. Cui Enqing, Mr. Chen Ji and Mr. Wu Changqi, with Mr. Cui Enqing as the chairman. Please refer to the announcement of the Company dated 30 June 2016 for details.

The Remuneration Committee held a meeting on 29 January 2016, considered and approved the resolution on annual bonus for executive Directors.

The Remuneration Committee held a meeting on 30 June 2016, considered and approved the resolution on annual remuneration package for chairman, executive directors (excluding chairman and vice chairman), and annual service remuneration of non-executive directors and independent non-executive directors.

8. NOMINATION COMMITTEE

The Board has set up a Nomination Committee comprising one executive Director and two independent non-executive Directors. The Nomination Committee was chaired by Mr. Zhang Yanping, the chairman of the Board, with Mr. Chen Ji and Mr. Wu Changqi as members.

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

- (a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least once a year and make recommendations regarding any proposed changes in the Board in line with the Company's corporate strategy;
- (b) to identify individuals suitably qualified to become Directors, select and nominate candidates of Directors or make recommendations to the Board in this regard;
- (c) to assess the independence of independent non-executive Directors; and
- (d) to formulate criteria, procedures and methods for selecting candidates for Directors and senior management of the Company and its investees and make recommendations to the Board.

8. NOMINATION COMMITTEE (Continued)

One meeting of the Nomination Committee was convened during 2016, and the attendance rate of individual members at the meetings of the Nomination Committee is as follows:

	Attendance in person (times)	Attendance by proxy (times)
Zhang Yanping ^{Note 1}	1	–
Song Jianwu ^{Note 2}	1	–
Cui Baoguo ^{Note 2}	1	–
Chen Ji ^{Note 1}	–	–
Wu Changqi ^{Note 1}	–	–

Notes:

1. Upon approval by the Board on 30 June 2016, the Nomination Committee of the 6th session of Board consists of Mr. Zhang Yanping, Mr. Chen Ji and Mr. Wu Changqi, with Mr. Zhang Yanping as the chairman. Please refer to the announcement of the Company dated 30 June 2016 for details.
2. On 30 June 2016, Mr. Song Jianwu and Mr. Cui Baoguo ceased to be members of the Nomination Committee. Please refer to the announcement of the Company dated 30 June 2016 for details.

The Nomination Committee of the Company held a meeting on 16 March 2016, considered and approved the nomination of Mr. Zhang Yanping, Mr. Yu Haibo, Ms. He Xiaona, Mr. Peng Liang, Mr. Duan Gang and Mr. Shang Da as candidates for executive Directors of the Company; nomination of Mr. Li Xiaobing, Mr. Wang Lin, Mr. Xu Xun and Mr. Liu Hong as candidates for non-executive Directors of the Company; and nomination of Mr. Wu Tak Lung, Mr. Cui Enqing, Mr. Chen Ji, Mr. Wu Changqu and Mr. Chow Bing Chuen as candidates for independent non-executive Directors of the Company.

9. REMUNERATION OF THE AUDITOR

The Company appointed ShineWing Certified Public Accountants (Special General Partnership) as the auditor for the year 2016. For the year ended 31 December 2016, annual fees for the audit services provided by ShineWing Certified Public Accountants (Special General Partnership) to the Company amounted to RMB1,800 thousand. The fees for providing special accounting services to the Group amounted to RMB0. ShineWing Certified Public Accountants (Special General Partnership) has provided audit service for eight consecutive years for the Company since 2009.

10. AUDIT COMMITTEE

The Board has set up an Audit Committee comprising three non-executive Directors, among which two are independent non-executive Directors. The Audit Committee was chaired by Mr. Wu Tak Lung, with Mr. Li Xiaobing and Mr. Chow Bing Chuen as members. On 31 March 2017, Mr. Li Xiaobing ceased to be a member of the Audit Committee, and Mr. Wu Changqi was appointed as member of the Audit Committee. Please refer to the announcement of the Company dated 31 March 2017 for details.

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

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

Under code provision C.3.3 of the Corporate Governance Code, the terms of reference of the audit committee shall at least include reviewing the risk management and internal control systems of the issuer; discuss with the management in relation to the risk management and internal control systems, to ensure the management has established an effective internal control system according to their duties; and appointed by the Board or on upon its own initiative, to consider major investigation findings on risk management and internal control matters and the management's response to these findings. The Audit Committee of the Company have reviewed the risk management and internal control systems of the Group for the year ended 31 December 2016, and have discussed with the management in relation to the risk management and internal control systems, and have been able to, appointed by the Board or on upon its own initiative, consider major investigation findings on risk management and internal control matters and the management's response to these findings.

10. AUDIT COMMITTEE (Continued)

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

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

- reviewed and considered the results of the Group for the year of 2015;
- reviewed and considered the results of the Group for the first half of 2016;
- reviewed and evaluated the risk management and internal control systems of the Group;
- reviewed and evaluated the effectiveness of the internal audit function of the Group; and
- reviewed connected transactions.

A total of two meetings of the Audit Committee were convened during 2016, and the attendance rate of individual members at the meetings of the Audit Committee is as follows:

	Attendance in person (times)	Attendance by proxy (times)
Wu Tak Lung ^{Note 1}	2	–
Chen Ji ^{Note 2}	1	–
Liu Hong ^{Note 2}	1	–
Li Xiaobing ^{Note 1}	1	–
Chow Bing Chuen ^{Note 1}	1	–

Notes:

1. Upon approval by the Board on 30 June 2016, the Audit Committee of the 6th session of Board consists of Mr. Wu Tak Lung, Mr. Li Xiaobing and Mr. Chow Bing Chuen, with Mr. Wu Tak Lung as the chairman. Please refer to the announcement of the Company dated 30 June 2016 for details.
2. On 30 June 2016, Mr. Chen Ji and Mr. Liu Hong ceased to be members of the Audit Committee. Please refer to the announcement of the Company dated 30 June 2016 for details.

The Company has been in full compliance with requirements of Rule 3.21 of the Listing Rules throughout the period from its listing on the Hong Kong Stock Exchange to 31 December 2016.

The Board is responsible for overseeing the preparation of financial statements for each financial period, so that the financial statements give a true and fair view of the operating position, results and cash flow of the Company during the period. When preparing the financial statements for the year ended 31 December 2016, the Board (1) selected and consistently applied appropriate accounting policies; (2) approved the adoption of all standards in line with the China Accounting Standards; and (3) made appropriate judgments and assessments in a prudent manner and adopted a going concern basis for preparation of financial statements. For the statement of reporting responsibility issued by ShineWing Certified Public Accountants (Special General Partnership), the auditor of the Company, please refer to the auditors' report set out in this annual report.

11. COMPANY SECRETARIES

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

12. RIGHTS OF SHAREHOLDERS

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

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

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

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

13. INVESTOR RELATIONS**(1) Material amendments to the Articles of Association**

There was no material amendment to the Articles of Association during the year ended 31 December 2016. On 31 March 2017, the Board proposed to make certain revisions to the Articles of Association, so as to reflect the change of name of one of the promoters of the Company, and the change of management of the Company. Please refer to the announcement of the Company dated 31 March 2017 published on the websites of the Hong Kong Stock Exchange and the Company for details.

(2) General meetings

During the Reporting Period, the Company convened two general meetings.

(i) 2016 first extraordinary general meeting was held at 2:30 p.m. on 26 January 2016 at 21st Floor, Beijing Youth Daily Agency Building, Chaoyang District, Beijing, the PRC, at which the following resolutions were considered and passed:

- Resolution in relation to the approval of the respective annual caps for the three years ending 31 December 2018 for the transactions contemplated under the advertising business agreement dated 7 December 2004 and its supplement agreement dated 9 April 2010 and entered into between the Company and the Parent in relation to granting by the Parent the exclusive rights to sell all the advertising space in the Beijing Youth Daily;

13. INVESTOR RELATIONS (Continued)**(2) General meetings (Continued)**

- Resolution in relation to the approval of the printing framework agreement dated 22 October 2015 and entered into between the BYD Logistics and the Parent in relation to providing the printing services and printing materials to the Parent, and the respective annual caps for the three years ending 31 December 2018 for the transactions contemplated thereunder; any one Director be and is hereby authorized to sign or execute such other documents or supplemental agreements or deeds on behalf of the Company and to do all such things and take all such actions as he may consider necessary or desirable for the purpose of giving effect to the printing framework agreement and completing the transactions contemplated thereunder with such changes as he may consider necessary, desirable or expedient
- Resolution in relation to the approval of the advertising agency framework agreement dated 22 October 2015 and entered into between the Company and the Parent in relation to the mutual supply of advertising agency services between the Company and its subsidiaries and the Parent and its subsidiaries, and the respective annual caps for the three years ending 31 December 2018 for the transactions contemplated thereunder; any one Director be and is hereby authorized to sign or execute such other documents or supplemental agreements or deeds on behalf of the Company and to do all such things and take all such actions as he may consider necessary or desirable for the purpose of giving effect to the advertising agency framework agreement and completing the transactions contemplated thereunder with such changes as he may consider necessary, desirable or expedient;
- Resolution in relation to the approval of the appointment of Mr. Liu Hong as a non-executive Director, to authorise the Remuneration Committee to determine his remuneration, and to authorise any executive Director to execute a service contract or such other documents or supplemental agreements or deeds on behalf of the Company.

Please refer to the announcement of the Company dated 26 January 2016 for details.

- (ii) The 2015 annual general meeting was held at 2:30 p.m. on 30 June 2016 at 21st Floor, Beijing Youth Daily Agency, Chaoyang District, Beijing, the PRC, resolutions in relation to the report of the Board for the year ended 31 December 2015, the report of the Supervisory Committee for the year ended 31 December 2015, the audited financial statements of the Company for the year ended 31 December 2015, the re-appointment of the Company for the year 2016, the re-election and appointment of executive Directors, non-executive Directors, and independent non-executive Directors, re-election of shareholder representative Supervisors, and the payment to employee representative Supervisors were considered and approved. Please refer to the announcement of the Company dated 30 June 2016 for details.

(3) Important matters for Shareholders for the financial year of 2016

The 2016 annual general meeting of the Company will be held at 2:30 p.m. on 30 June 2017 at the meeting room of 21st floor, Beijing Youth Daily Agency Building, Chaoyang District, Beijing, the PRC.

(4) Market capitalization of public float

The highest and lowest trading prices of the Company's H Shares during 2016 were HKD5.68 and HKD3.75 per share respectively. On 31 December 2016, there was no trading of shares and the closing price was HKD3.80 per share.

14. RISK MANAGEMENT AND INTERNAL CONTROL

- Risk management and internal control systems:

The Company has set up the risk management and internal control systems according to the requirements of the Corporate Governance Code in Appendix 14 to the Listing Rules, with a comparatively scientific risk management, internal structure and proper system design, and has set up scientific decision-making mechanism, implementation mechanism and supervision mechanism. The Company has continued to make efforts to strengthen and improve its risk management and internal control systems as well as enhance the control procedures, so as to improve operating efficiencies and reduce operating risks. The Board is responsible for the risk management and internal control systems and shall maintain the reliability and effectiveness thereof in order to protect the interests of Shareholders and the assets of the Company. The risk management and internal control systems aim at managing rather than eliminating the risk of failure to meet the business goals, and they can only make a reasonable rather than absolute assurance against material misstatement or losses.

Through the Audit Committee, the Board has regularly reviewed and monitored the effectiveness of the internal control and risk management systems, confirmed those areas which can be improved and take appropriate measures to ensure that the major business and operational risks can be recognized and handled, and ensured that systems are complete and adequate. If a serious internal control defect is discovered during the review processes of the risk management and internal control systems, the Company will focus on the major work objectives, the areas of major business risks of the year aiming on the material risks of the year figured out by appraisal, refine major risk control measures, timely track the effectiveness of the risk control, specify the responsible persons and their duties regarding control over major risk.

The Company has set up complete risk management and internal control systems, including the Board, the Audit Committee under the Board, the management, audit department and other departments of the Company. The monitoring and the internal control measures of management at different levels of the Company are the first defence of risk management and internal control; the senior management (including risk management and financial control) of the Company is the second defence of risk management and internal control; the Audit Committee under the Board and audit department are the third defence of risk management and internal control. As an independent monitoring department, the audit department carries out internal audit of the risk management system of the Company. The president of the Company represents the highest authority of contact for all departments, reports to the Board in respect of all departmental operations and promotes proper decision-making of the Company to cater for and to coordinate various requests of the departments. As such, any matter discovered by the staff which is of a material nature (e.g. discloseable matters) can be reported to the decision-making management of the Company in a prompt, accurate and efficient manner. On the other hand, decisions of the Company's management can be implemented and supervised in an accurate, prompt and consistent manner. The Board undertakes the ultimate responsibility of the establishment and improvements of the risk management and internal control systems of the Company as well as the effective implementation of the risk management work, and the Board is also the highest decision-making body of risk management and internal control of the Company.

The effective implementation of the risk management and internal control systems ensure the orderly operations and management and effective risk control of the Company thereby safeguarding the safety and integrity of the Company's properties, maintaining proper accounting records and ensuring each transaction is conducted under authorization of the management, so as to attain the Company's goal of operation and management.

14. RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

The internal audit department of the Company conducts independent review on the sufficiency and effectiveness of the risk management and internal control system, and the review plan and risk evaluation are discussed and determined by the Audit Committee annually. At each meeting held regularly in the whole year, the internal audit department of the Company shall report to the Audit Committee the working results about whether there is sufficient internal control and its effectiveness in the previous reporting period, including but not limited to pointing out any failure to implement such internal monitoring procedures or the major weaknesses of any procedure. The audit method that focuses on risk control has been adopted by the internal audit department of the Company. The annual working plan of the internal audit department of the Company covers all the main tasks and procedures of all the operational, business and service units, and carries out special review according to the requirements of the management, of which the review results would be given to the Audit Committee. The internal audit department shall monitor affairs regarding review, and follow up the same afterwards so as to facilitate proper implementation thereof, and shall report its progress to the Audit Committee regularly. The internal audit department of the Company is independently responsible to the Board, Audit Committee and the administrative management of the Company for the adequacy and effectiveness of the internal control of the Company.

Besides the annual works arranged, the internal audit department conducts other special reviews as required. The Board and the Audit Committee actively supervise the results reported by the internal audit department, as well as the remedy measures taken by various departments.

- Procedures of identification, assessment and management of major risks, and procedures for handling and dissemination of inside information

The Company has set up the procedures of identification, assessment and management of major risks. All functional departments and the risk management department of the Company shall execute the basic work flows of internal control and risk management of the Company, finish the routine tasks on time, and make and submit feedbacks about the information of routine risk-related works. The leaders of the risk management department shall be responsible for the examination and approval of the final appraisal results, carrying out classification of the risks that the Company will finally recognize, and classifying the major risks into business risk, financial risk, operational or other risks. Furthermore, for those major risks already identified, the Company shall make an assessment according to their respective probability of occurrence, seriousness of consequences, orders of priority and whether there existed alert(s). Afterwards, the management will adopt appropriate measures for the major risks based on the major risks already identified and their assessment results.

As the only media company of China which is listed overseas, the Company possesses the strongest newspaper advertising business and a publication production business platform, it is in a leading position in the industry. Faced with the harsh conditions of market competition and the impact of the new media, as a strong mainstream media, the Company has adequately consolidated the resources of the Group, through its continuous focus on the advertising sector, strengthening the cooperation between its subsidiary business entities, so as to actively explore new business domains and create new marketing models.

14. RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

The capital risk and competition strategy risks were the major risks for 2016. Regarding the capital risk, the trend of the industry in 2016 adversely affected on the print media, companies had to adjust and optimize their structures as well as explore new business domains. The capital pressure under this situation on business model driven by capital is apparent. As for the competition strategy risk, the traditional print media has been affected, the competition in the market of the new business domains is intense with little development potential, the Company has been faced with huge pressure. In 2016 based on the actual situations of all aspects, the Company has formulated practical proposals to carry out effective management of risks in different ways.

In order to further improve the risk and internal control management systems, establish good systems and work flows, execute and implement monitoring work, fulfill a full work flow risk management from prevention beforehand, monitoring at present and subsequent follow-up and implementation, the Company has organized each functional department to sort out and amend the various management systems of the Group.

The management workflows of the financial reports, information disclosure of the Company has strictly followed the requirements of the Listing Rules, the Company has formulated and set up standard procedures for collection, sorting, examining and disclosure of information. The Company has put greatly emphasis on the treatment and announcement of insider information. Before disclosing the relevant information to the public, the Company will ensure that the information is kept confidential absolutely, and make registration and filling of the people informed of such inside information. The Supervisory Committee shall monitor the management of inside information.

- Review of the effectiveness of risk management and internal control

During the year ended 31 December 2016, the Board has made 2 reviews on the effectiveness of the risk management and internal control systems of the Company through the Audit Committee. The review period covers the year ended 31 December 2016, and the scope of the review includes all material controls, including financial, operational and compliance controls. In addition, the Board has reviewed the statement made by the management on the effectiveness of risk management and internal control. From the above review, the Board is of the view that the Company has set up the internal audit function, that the risk management and internal control systems are effective and adequate with no major risk control defect which might affect the supervision of finance, supervision of operation, supervision of compliance or risk management function. During the review process, the Board has ensured that the resources, qualifications and experiences of the staff as well as the training and budget of the staff in the areas of finance, internal audit and the financial reporting function are adequate.

14. RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

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

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

15. CORPORATE GOVERNANCE

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

- develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- review and monitor the training and continuous professional development of Directors and senior management of the Company;
- review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report of the Company; and
- set up policy for communication with Shareholders and ensure its effect through regular review.

During the Reporting Period, the Board reviewed and supervised from time to time the implementation of a series of corporate governance documents, including "Articles of Association of Beijing Media Corporation Limited", "Rules of Procedures of the Board", "Rules of Procedures for the Audit Committee", "Rules of Procedures for the Remuneration Committee", "Rules of Procedures for the Nomination Committee" and the "Board Diversity Policy" of the Company; reviewed and actively organized training and continuing professional development for Directors and senior management; reviewed and monitored whether there was any violation of laws and regulatory requirements by the Company; approved the Corporate Governance Report of the Company for the year 2015, and approved the disclosure on the website of the Hong Kong Stock Exchange and the Company's website of the same; and formulated, reviewed and supervised shareholder communications policy to ensure its effectiveness.

16. BOARD DIVERSITY POLICY

The Board adopted the following board diversity policies:

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

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

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

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

1. CHANGES IN MEMBERS OF THE SUPERVISORY COMMITTEE IN 2016

There was no change in members of the Supervisory Committee during the Reporting Period.

2. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY IN 2016

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

(1) Financial Position of the Company

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

(2) Operation of the Company

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

(3) Directors and Management of the Company

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

(4) Use of Proceeds from Listing

The Supervisory Committee has reviewed the projects funded by the listing proceeds of the Company after its listing. The Supervisory Committee considers that, up to the latest practicable date, the extent of the use of listing proceeds has been reasonable by taking into account the market conditions and the ambit of the use of listing proceeds being consistent with the Company's prospectus dated 13 December 2004 and the Company's announcements dated 24 June 2011 and 24 November 2014.

2. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY IN 2016 *(Continued)*

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

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

(6) Fairness of Connected Transactions

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

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

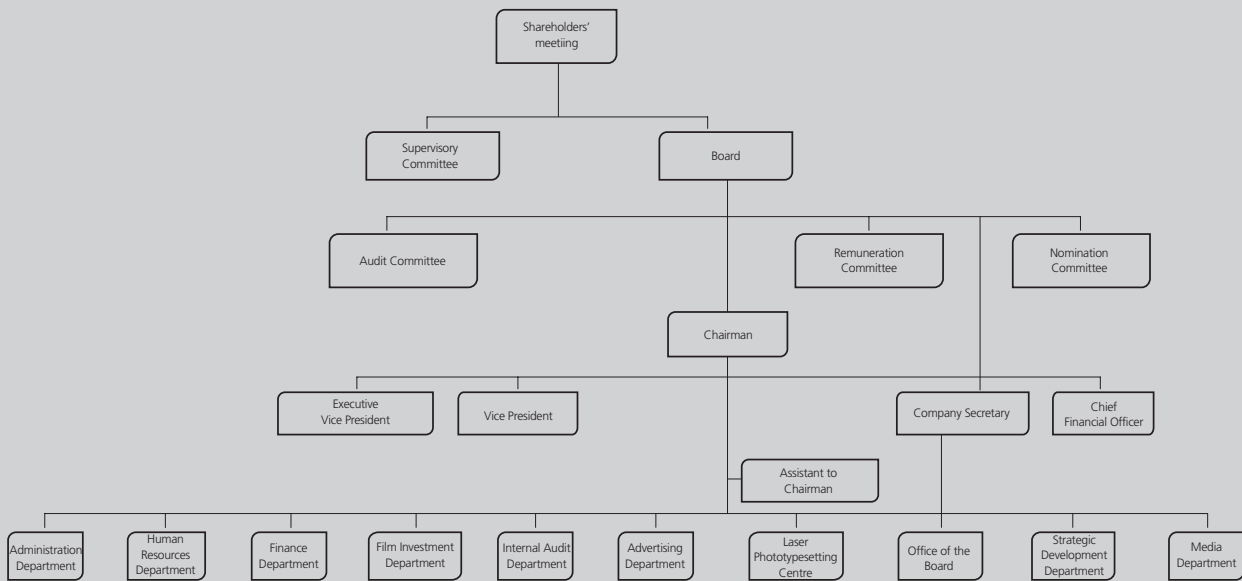
Beijing Media Corporation Limited

Supervisory Committee

31 March 2017

This report is the first Environmental, Social and Governance (“ESG”) Report of the Group, the reporting period covers 1 January 2016 to 31 December 2016. Unless otherwise specified, when preparing this report, the Company followed the disclosure requirements of the “Environmental, Social and Governance Reporting Guide” in Appendix 27 of the Listing Rules in its disclosure of its performance in the environmental, social and governance aspects. The report has complied with the “comply or explain” provisions set out in the Environmental, Social and Governance Reporting Guide. This ESG Report briefly describes the environmental, social and governance performance of the Group in a condensed way. The sources of the information contained in this report are the official documents and statistical data of the Group which have been consolidated with the monitoring, management and business data of the subsidiaries of the Company in accordance with the relevant rules of the Group.

CORPORATE GOVERNANCE STRUCTURE



HONOURS AND EVENTS OF THE COMPANY

Since the establishment of the Company, its business development has been recognized by people from different sectors, it has been obtained various honours. In December 2007 it was awarded as National Civilized Unit in Advertising Sector by China Advertising Association; in 2012 the Company was given a series of national honours such as the Media Brand Trusted by Chinese Residents. In 2016, Beijing Beijing Community Media, a subsidiary of the Company obtained 9 software copyright certificates.

While the Company has been strengthening its current businesses, it has also promoted the development of the film and cultural sector segment. In recent years, the Company has invested in the filming, the TV series "The Story of Zheng Yang Gate" (《正陽門下》), ranked the No. 3 in the viewer list of TV series compared to others in the same period; the TV series "All Quiet in Peking" (《北平無戰事》) was well received a good reputation as a classic national TV series, while obtained the TV Series Magnolia Award; "Grain Field under the Sun", an anti-corruption TV series was awarded by the State Administration of Press, Publication, Radio, Film and Television of the PRC as one of the Supportive and Guiding Projects for Excellent TV Series Script for the Year 2016; "Genie from Chang'an", an online series was assessed as an online series project by iQiYi due to its high quality production and "online feel" which attracted the internet audience.

Qingyou Information, a subsidiary of the Company, operated the website game platform "Qingyou Online". In 2015, the number of registered users of that platforms reached 2.7 million, and the number of website games distributed on platform increased to 29, including 11 hot website games such as "Hundred Battles Across the World" (《百戰天下》) which was just released online; since July 2015, it exclusively distributed 2 games with almost 100,000 registered users. At the same time, Qingyou Information cooperated with the game department of Baidu, 2 games were successfully introduced to the open platform of Baidu and was made online for subscription payment. The supporters of the WeChat public account of Chongqing Youth Daily which is operated by the Company's subsidiary, Chongqing Media, was over 650,000, in the year 2015 it was ranked among the top 500 in the national new media index.

ENVIRONMENTAL PROTECTION

The Company considers pollution prevention and emission reduction as the major concern, it has put emphasis on reducing in energy consumption and discharge, preventing the environmental pollution produced by waste, and it has actively promoted recycling and re-use of waste items. During its business management, the Company requires all departments to seriously study and implement the Environmental Protection Law of the People's Republic of China ("PRC"), Law of PRC on the Prevention and Control of Atmospheric Pollution, Law of PRC on the Prevention and Control of the Environmental Pollution by Solid Waste, Water Pollution Prevention and Control Law of the PRC, Emission Standard of Volatile Organic Compounds for Printing Industry issued by Beijing, and other laws, regulations and industry regulations. The environmental protection measures for pollution prevention and emission reduction adopted by the Company during its business management are mainly seen in the following aspects:

As an enterprise for cultural propaganda, the Company has continued to generate sound financial results, and at the same time actively given back to society. The Company has acted in an environmental responsible manner, strived to abide by the relevant environmental protection laws and regulations. The Company has adopted green printing method for its all operational newspaper and magazines, including green environmental protection paper, ink and other raw materials, to realize the pollutant zero discharge during the pre-printing stage, and reduce environmental pollution to the largest extent. When choosing printing houses, the Company requires that the printing houses must possess the publication printing permit and have obtained the relevant state environmental protection qualifications. The Company will only cooperate with those printing houses which have reached the standards.

ENVIRONMENTAL PROTECTION *(Continued)*

In addition, the Company has also taken effective measures to reach effective utilization of resources to reduce wastage. It have mainly actively promoted the coordinated office platform, to reduce the waste of paper and office consumables, and advocate the water and electricity saving. The Company has reused a series of items that it used when holding on-site events, exhibitions.

STAFF HEALTH AND TRAINING, WORKING ENVIRONMENT AND SAFETY

As at 31 December 2016, the Company had a total number of 567 employees; as at 31 December 2015, the total number was 773 employees.

During the Reporting Period, the Company has strictly followed the requirements of the laws and regulations of The Labour Law of PRC, the Employment Contract of PRC, the Regulations for the Implementation of the Labour Law of PRC and the Law for the Protection of Minors, it has formulated certain internal systems in accordance with the law, thoroughly protecting the legal rights of staff, and jointly creating a good labor management relation.

In order to provide human resources security for the sustainable development of the Company, we have formulated the Human Resources Management System which refines the systems of recruitment, promotion and staff training etc. During the recruitment process, the overall qualities of applicants are the most important assessment elements for us, all interviewees must undergo a series of strict selection process before officially employed, including written tests for the related professional skill, comprehensive ability tests and interviews with the supervisors etc. The Company would keep confidential all the interviewees' data strictly. The Company has strictly followed the requirements of the labour laws and regulations, and shall not allow child labour or forced labour to be involved in its operation. During the recruitment process, the Company will strictly inspect the ages and identities of the applicants to ensure that the applicants have the legal working qualifications. During the Reporting Period, the Company did not found any use of child labour or forced labour.

Once an employee is hired, the remuneration that the Company paid to the employee will not be less than the minimum wage standard specified by the local government. The Company has been working hard to provide our staff with competitive wage levels compared with other people working in the same industry. The Company strictly prohibits all forms of discrimination, such as sexual, regional, religious and nationality discrimination, and treats all types of employees equally. At the same time, the Company has strictly followed the requirements of all local governments, offering the corresponding holidays to the employees, and giving overtime payment for holidays according to the provisions. The Company has strictly handled the revoking of the labour relationship in accordance with the provisions of the Labour Law, if employees plan to leave, for the official employees, the Company will allow them to process the resignation procedure by making resignation applications in 30 days advance; and for those under probation, the resignation applications will be needed in 3 days advance.

The Company also attaches great importance to the personal development of employees, by motivating the employees to enhance their personal skills so as to meet the development needs of the Company. So the human resources department of the Company will develop the training programs to enhance the training results which will increase the professional knowledge of the staff and enhance their comprehensive abilities. Upon completion of the training, the employees who took part in the training programs will be required to submit the training satisfaction questionnaire or training reports so that the relevant department will continue to improve the contents of the training.

In the health and safety aspects of employees, the Company is committed to creating a safe and hygienic working environment for employees by regularly cleaning the working areas thoroughly. In addition, the Company arranges the employees to conduct comprehensive physical examination every year to remind them of prevention of physical illness. At the same time, the Company has also set up a staff clinic, so the employees can go to the clinic to do health consultation, receive the obligatory protection, and get the simple disease treatment.

STAFF HEALTH AND TRAINING, WORKING ENVIRONMENT AND SAFETY *(Continued)*

The company is committed to maintaining a diversified development of the working environment, giving female employees the same rights and equal opportunities as the male employees in the pay, promotion and other aspects.

The Company has strictly followed the relevant national or local labour laws and regulations, to provide employees with welfare protection. Besides, we have distributed a "Employee Manual" to every newly hired employee, so that the employees are aware of their rights and responsibilities in the areas such as, among others, the group culture, employment arrangements, code of conduct, career prospect. The Company respects every employee, it has launched a variety of user-friendly arrangements and staff leisure activities, to achieve a work-life balance for the staff. The Employee Manual also refines the benefits that employees can enjoy, including the social insurances required by the state (pension, unemployment, medical and work injury), housing provident fund, medical subsidy, annual leave, paid sick leave, work-related injury leave, long-term sick leave, mourning leave, martial leave etc. In principle, the Company adopts a an working hour system of 8 hours a day, 40 hours a week, 2 hours of rest at noon, and it also provides free lunch.

The working and rest time varies according to different regions and business requirements. The Company does not encourage employees to work overtime, respects the staff's schedule, and encourages the employees to complete their work efficiently within 8 hours. The company takes care of the interest and needs of female employees according to the Special Rules on the Labour Protection for Female Employees, and has implemented a short working hour system for the lactation period.

COMPANY OPERATION

In accordance with national laws and regulations, the Company upholds the sustainable operation principles and establishes an effective corporate governance structure to protected shareholders' interest.

The Company has set up cooperation relationship with suppliers which have better reputation in industry, higher credibility of the product quality, better performance in environmental protection and social responsibilities, and with the distributors which are also highly recognized by their peers in the their industries. The Company regularly reviews the suppliers to guarantee the product quality.

The subsidiary of the Company, BYD Logistics, is principally engaged in the printing of newspaper and magazines. The supply of goods is mainly paper. During the production and operation processes, we adopt the best environmental protection standard, while choosing business partners, we also hope that the business partners will treat their workers equally, protect the environment, and obey the discipline. In strict accordance with national environmental standards for production, we strongly believe that our products and services will also be affected by our mutual cooperation. Therefore, we are committed to establishing a long-term business partnership. When we enter into an agreement with the supplier, we will also engage the social responsibility, employment rights and other aspects in the agreements, so as to generate a positive effect on the supply chain and promote the development of the society.

As the participants of the media industry, the Company and its subsidiaries have strictly followed the Advertising Law of the PRC, upheld the principles of truth, objectiveness and fairness, been prohibited from compensated news and false news, ensured the quality of production services, while did not produce, endorsement or disseminate false advertisement, in order to spread positive energy, pursuit of a healthy and progressive cultural taste.

The Company has a professional team, possesses a complete work flows. It carries out pre-sale, on sale and after sale processes in a comprehensive way. It has taken the initiative to visit clients, actively and professionally answered the questions raised by the clients; for the problems mentioned by the clients, it has held regular meetings to analyze them, and carried out quarterly client satisfaction survey, so as to continue to raise the quality of products and service levels, to really make clients satisfied.

COMPANY OPERATION *(Continued)*

In order to ensure that the information and privacy of clients are adequately safeguarded, in accordance with the requirements of the information confidentiality management regulations, the Company shall keep the confidentiality of all confidential materials and confidential information. The relevant responsible persons shall strictly keep confidentiality of all the information, without being authorized, they shall not expand the scope of insiders. Meanwhile, they shall do proper work of keeping the confidential materials and confidential information, while shall not allow confidential materials and confidential information to leak out due to poor management. Without being authorized, they shall not duplicate, copy, circulate and copy confidential documents and information.

The Company did not find any product which did not conform with the relevant health and safety regulations, the recovery rate was zero.

We have also committed to the prevention of corruption, and has strictly followed the Criminal Law of the PRC, Company Law of the PRC, Anti-money Laundering Law of PRC. The Company has formulated and introduced the Beijing Media Internal Corruption Incident Management Rules, refining the code of conduct that the internal employees and cooperation partners must follow, describing the standards for handling of tender, gift, hospitality, donation and other situations. Besides, we have also clearly defined the responsibilities of different departments in respect of anti-corruption, for example, recording financial transactions, auditing of business partners, regularly conducting internal audit to ensure the policies have been implemented effectively. The Group has further carried out anti-bribery training for new recruits, starting with the moral education of employees to nurture a clean and honest corporate culture. We have followed the applicable laws governing health and safety standards, advertising and labeling.

Since the establishment, the Company has formulated a series of regulations and systems such as the confidentiality system, reward and punishment system, requirements for work behaviour as well as for the materials management. The Company has restricted and managed corruption by strengthening internal control. Employees can report all forms of violation behaviour such as dereliction of duty, abusing power to seek personal gain, accepting bribes, or encroaching on Company's property to the Board and the Audit Committee through different methods. Regarding the financial aspect, the Company requires all subsidiaries to strictly comply with the Accounting Standards for Enterprises, and conduct random audit of the important phases such as production management, so as to reduce the risks of malpractice in all phases.

SOCIAL CONTRIBUTION AND RESPONSIBILITIES

In recent years, as a participant of the media industry, the Company has committed itself in social welfare undertakings so as to strengthen the enterprise to make use of its own corporate value, and enlarged its educational, healthy influences on the general public through organizing charity events.

2016 Social Contribution and Responsibilities Events:

In September 2016, the "Healthy Beijing • Community Promoting Service Alliance" visited the grassroots and communities, carried out health and charity promoting service activities. the Thirteen Five-year Plan of Beijing set the goal of "Healthy Beijing", in order to achieve this great goal, Beijing Municipal Commission of Health and Family Planning joined Beijing Community Media to gradually carry out health and charity promoting service activities of the "Healthy Beijing • Community Promoting Service Alliance" in the whole city.

SOCIAL CONTRIBUTION AND RESPONSIBILITIES (Continued)

2016 Social Contribution and Responsibilities Events: (Continued)

In November 2016, the “Tourism Entering into the Community” event sponsored by Beijing Municipal Commission of Tourism Development, and organized by Beiqing Community Media was started in community of Guomei First City. The theme was “Tourism Entering into the Community, Beneficial Measures Going to Ten Thousand Families”. The focus was to set up tourist service network in 100 communities in Chaoyang District, and create 100 community tourism volunteer service teams, in order to provide wholeheartedly good travel consultation services for the residents of the communities, introduce travel products, and popularize tourism safety knowledge.

In December 2016, the campus welfare activities “Passion Needs Fire and Warmth” was held. This event was held in the Renmin University of China, Zhengzhou University, Northwest University of Political Science and Law, Lanzhou University, Sichuan University, Chongqing Normal University, Guangxi University, Changsha University, Hefei Pharmaceutical University, Zhejiang University, Nanjing University. The event was held in the form of night running race under glimmering light and the cumulative number of running steps was calculated. Any individual or several people jointly ran ten thousand steps could exchange for a pair of cotton gloves donated to the children in poor mountainous regions for keeping them warm in winter. Not only did the events meet the spirit of the Three Walking Event of the central government, but also increased the social concern awareness of students. The events made them participate in the welfare activities by actual action, and brought certain social impact.

In December 2016, CéCi magazine 《茜茜姐妹CéCi》, which advocated Asian trendy culture, held the “Beauty Ceremony” event in Wanda Reign on The Bund in Shanghai. The theme of this event was “Release Yourself, Girls”, it aimed at encouraging Asian females to explore their hearts and the beauty of life, to embrace the present moment with a good attitude, and to be themselves. This time CéCi magazine specially invited elite females in different sectors included Liu Yu Lin (film director), Su Qin (author), Zhang He (vocal singer), Zhang Meng (actress), Mu Xi Yan (programme host), Xu Ji Dan (Miss Universe) and Dong Sheng Jia (young artist) etc, to attend the event. They talked about their stories, jointly discussed the spirit of women in the new age, interpreted the inner beauty of females from different angles, presenting a vivid and in-depth “blossoming forum” to the audience in the venue.

2014-2015 Social Contribution and Responsibilities events:

From November 2014 to December 2015, Beiqing CéCi, carried out a one-year educational event of AIDS prevention propaganda “I Am the Leader of My Youth – Red Ribbon Campus Health Ambassador” (「美好青春我做主—紅絲帶健康大使青春校園行」), and jointly promoted the Red Ribbon Campus Health Ambassador to all students in China with Youth League Committees from 16 universities in 14 provinces nationwide. In 2015, the Red Ribbon Campus Health Ambassador event was organized in schools such as Peking University, Nankai University, Shandong University, Fudan University, Jilin University, Sichuan University, China Agriculture University, Dongbei University of Finance & Economics, Hunan University, Zhejiang University, Shenzhen University, Northwest University, Wuhan University etc. The event was very successful, over 10,000 university students successively joined the events, and 11 Red Ribbon Health Ambassadors joined the events of the Youth Campus Society (青春校園會).

In May 2015, Beijing Community Football Match was jointly held by BYDA, Beijing Municipal Football Association, Beiqing Community Media, and the Community Youth Group of the Municipal Commission Communist Party Youth Group (團市委社區青年匯) was the supporting organizer. It was a match for amateurs of the entire city. Afterwards, the match has become a brand event of Beiqing Community Media.

In September 2015, the winter cloth donation event “This Warm Winter by Bank of Communications” was held. The “OK Home” under Beiqing Community Media, Beijing branch of the Bank of Communications, and “Earth Station”, a charity entrepreneurial project, jointly held “This Warm Winter by Bank of Communications” for the donation of winter clothes, it was started in 68 communities in the whole city.

“Articles of Association”	the articles of association of the Company as amended from time to time
“Audit Committee”	the audit committee of the Board
“Beiqing CéCi”	Beiqing CéCi Advertising (Beijing) Limited, a subsidiary of the Company
“Beiqing Community Media”	Beiqing Community Media Technology (Beijing) Co., Ltd. (formerly known as Beiqing Community Culture Media (Beijing) Limited), a subsidiary of the Company
“Beiqing Long Teng”	Beiqing Long Teng Investment Management (Beijing) Co., Limited, a subsidiary of the Company
“Beiqing Network Culture”	Beiqing Media Network Culture Communication Co. Ltd., (formerly known as Legal Evening Post Media Company), a subsidiary of the Company
“Beiqing Outdoor”	Beijing Beiqing Outdoor Advertisement Co., Ltd., a subsidiary of the Company
“BIAC”	Beijing International Advertising & Communication Group Co., Ltd. (北京國際廣告傳媒集團有限公司), a limited company incorporated under the laws of the PRC
“Board”	The board of Directors
“BQTM”	Beiqing Transmedia Co. Ltd.
“BYD Logistics”	BYD Logistics Company Limited, a subsidiary of the Company
“BYDA Group”	BYDA and its subsidiary
“China Accounting Standards”	the Accounting Standards for Business Enterprises in the PRC
“Chongqing Media”	Chongqing Youth Media Company Limited, a subsidiary of the Company
“Company”, “we”, “us” or “Beijing Media”	Beijing Media Corporation Limited, a joint stock limited company incorporated under the laws of the PRC and whose H Share are listed and traded on the Hong Kong Stock Exchange
“Company Law”	The Company Law of the PRC
“Cultural Investment Group”	Beijing Cultural Investment Development Group Co., Ltd. (北京市文化投資發展集團有限責任公司), a limited company incorporated under the laws of the PRC
“Director(s)”	The director(s) of the Company
“Domestic Share(s)”	The ordinary share(s) of RMB1.00 per share in the capital of the Company

“Group”	The Company and its subsidiaries
“H Share(s)”	The foreign share(s) listed overseas of RMB1.00 per share in the ordinary share capital of the Company
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“LEPA Group”	LEPA and its subsidiaries
“LEPA”	Legal Evening Post Agency, a subsidiary of the BYDA
“Listing Rules”	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Main Board”	The main board of the Hong Kong Stock Exchange
“Nomination Committee”	The nomination committee under the Board
“Parent” or “Beijing Youth Daily Agency” or “BYDA”	Beijing Youth Daily Agency, controlling shareholder of the Company
“Parent Group”	Beijing Youth Daily Agency and its subsidiaries, not including the Group
“PRC” or “China”	The People’s Republic of China, excluding Hong Kong, Macau Special Administration Region and Taiwan
“Qingyou Information”	Beijing Qingyou Information Technology Co., Ltd, a subsidiary of the Company
“Remuneration Committee”	The remuneration committee under the Board
“RMB”	Renminbi, the lawful currency of the PRC
“Reporting Period”	the year ended 31 December 2016
“SFO”	Securities and Futures Ordinance, Chapter 571 of Hong Kong Laws
“Shareholder(s) ”	the shareholder (s) of the Company
“Supervisor(s)”	The supervisors of the Company
“Supervisory Committee”	The supervisory committee of the Company
“Trans-media”	Beijing Trans-media Co., Ltd (北京終端廣告傳媒有限責任公司), a limited company incorporated under the laws of the PRC

XYZH/2017BJA70161



ShineWing Certified Public Accountants (Special General Partnership)

9/F, Block A, Fu Hua Mansion,
No. 8, Chaoyangmen Beidajie,
Dongcheng District, Beijing

TO THE MEMBERS OF BEIJING MEDIA CORPORATION LIMITED:

I. AUDIT OPINION

We have audited the accompanying financial statements of Beijing Media Corporation Limited (hereinafter referred to as "Beijing Media"), which comprise the consolidated and the Company balance sheets as at 31 December 2016, and the consolidated and the Company income statements, the consolidated and the Company cash flow statements, the consolidated and the Company statements of changes in shareholders' equity for the year then ended, and the notes to the related financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position of Beijing Media as at 31 December 2016, and the consolidated and the Company's financial performance and cash flows for the year 2016 in accordance with the requirements of Accounting Standards for Business Enterprises ("ASBE").

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of Beijing Media and in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Goodwill impairment	
Key audit matter	Measures in audit
<p>As at 31 December 2016, as described in Note VIII.14 to the consolidated financial statements of Beijing Media, the balance of carrying amount of goodwill in the consolidated financial statements of Beijing Media amounted to RMB47,380 thousand, and provision for goodwill impairment amounted to approximately RMB12,000 thousand, net value of RMB35,380 thousand. According to the PRC Accounting Standards, Beijing Media have to perform goodwill impairment test every year. In 2016, based on the valuation results performed by an external valuation expert, Beijing Media made goodwill impairment provision of RMB12,000 thousand, which have material impact to the financial statements. Due to the valuation of goodwill impairment test by management is complex, and require high degree of judgment, In particular the determination of the recoverable amount, on which the assumptions are based, including but not limited to, the forecast future income of subsidiaries acquired and cash flow discount rate, will be affected by the domestic and foreign future market in the future and subject to change. Accordingly, we considered goodwill impairment is a key audit matter.</p>	<p>Our key audit procedures conducted are as follows:</p> <ul style="list-style-type: none"> - We assessed the key assumptions and methods adopted by management in relation to the asset group of Beijing Media’s goodwill and the key assumptions and methods used to carry out goodwill impairment test, including but not limited to the determination of recoverable amount and the forecast of future income and cash flow discount rate etc. - We discussed with the external valuation expert appointed by Beijing Media to see if the assumptions that were most sensitive to the results of the impairment test were reasonable and that the assumptions and disclosures adopted by the management were appropriate.

As at 31 December 2016

2. Receivables impairment	
Key audit matter	Measures in audit
<p>As at 31 December 2016, as described in Notes VIII.2, VIII.3 and VIII.5 to the consolidated financial statements of Beijing Media, balance of receivables of Beijing Media amounted to RMB877,240 thousand, provision for bad debts of RMB89,450 thousand, net value of RMB787,790 thousand, carry values of bad debts provision and net receivables were higher. If accounts receivables of Beijing Media cannot be recovered on time as expected or cannot be recovered and bad debts are incurred, which would have significant effect to the financial statements. Accordingly, we considered bad debts provision for account receivable impairment is a key audit matter.</p>	<p>Our key audit procedures conducted are as follows:</p> <ul style="list-style-type: none"> - We evaluated and tested the design and operational effectiveness of the Beijing Media's credit policy and the internal control of accounts receivable management. - We analyzed the reasonableness of accounting for bad debts in Beijing Media, including the basis for determining the combination of accounts receivables, the judgment of significant amount, the judgment of separate provision for bad debts etc. - We analyzed and calculated the ratio between the amount of bad debt provision and the balance of accounts receivables in the balance sheet of Beijing Media, compared the amount of provision for bad debts and the actual occurrence, and analyzed whether the provision for bad debts of accounts receivable is sufficient - By analyzing the aging of the accounts receivables of Beijing Media and the payment of customers, we carried out the substantive analysis procedure and obtained the relevant data of the most of the receivables to assess the reasonableness of the provision for bad debts of accounts receivables. - We obtained Beijing Media bad debt provision table, checked whether the provision method in accordance with Beijing Media's bad debt policy implementation; recalculated the amount of bad debts whether the amount is appropriate.

IV. OTHER INFORMATION

Management of the Beijing Media (hereinafter referred to as the "Management") is responsible for the other information. The other information comprises the information included in 2016 annual report of Beijing Media, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work we have already done, we should report the facts if we determine that there is a material misstatement of other information. In this respect, we have no need to report any matter.

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the ASBE, and for the design, implementation and maintenance of such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing Beijing Media's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate Beijing Media or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Beijing Media's financial reporting process.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always be found in the presence of a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Beijing Media's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, we have to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Beijing Media to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Beijing Media to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

ShineWing Certified Public Accountants
(Special General Partnership)

Chinese Certified Public Accountant: Liu Jingwei (Project partner)

Chinese Certified Public Accountant: Peng Xu

Beijing, China
31 March 2017

As at 31 December 2016

ITEM	Notes	RMB'000	
		At as 31 December 2016	As at 31 December 2015
Current assets:			
Bank balances and cash	VIII.1	214,527	349,953
Accounts receivable	VIII.2	422,045	409,792
Prepayments	VIII.3	54,446	59,869
Interest receivable	VIII.4	182	1,212
Other receivables	VIII.5	311,297	134,274
Inventories	VIII.6	28,117	35,963
Non-current assets due with one year	VIII.7	1,060	1,760
Other current assets	VIII.8	39,783	23,040
Total current assets		1,071,457	1,015,863
Non-current assets:			
Financial assets available-for-sale	VIII.9	165,746	165,746
Long-term equity investment	VIII.10	37,756	145,953
Investment properties	VIII.11	104,656	56,466
Fixed assets	VIII.12	8,499	10,473
Intangible assets	VIII.13	35,099	36,320
Goodwill	VIII.14	35,377	47,377
Long-term prepaid expenses		494	1,446
Deferred income tax assets	VIII.15	15,161	15,687
Other non-current assets	VIII.16	26,590	59,090
Total non-current assets		429,378	538,558
Total assets		1,500,835	1,554,421

ITEM	Notes	RMB'000	
		At as 31 December 2016	As at 31 December 2015
Current liabilities:			
Notes payable	VIII.18	51,188	35,114
Account payable	VIII.19	78,916	75,333
Receipts advance		39,031	37,524
Employee benefit payables	VIII.20	8,882	6,776
Tax payables	VIII.21	5,730	(9,019)
Interest payables		25	25
Other payables	VIII.22	45,191	67,077
Non-current liabilities due within one year	VIII.23	5,500	6,500
Other current liabilities	VIII.24	1,609	2,432
Total current liabilities		236,072	221,762
Non-current liabilities:			
Long-term loan	VIII.25	–	5,500
Deferred income tax liabilities	VIII.15	4,514	4,514
Total non-current liabilities		4,514	10,014
Total liabilities		240,586	231,776
Shareholders' equity:			
Share capital	VIII.26	197,310	197,310
Capital reserves	VIII.27	923,193	936,475
Other comprehensive income	VIII.28	71	31
Surplus reserves	VIII.29	130,931	130,931
Undistributed profits	VIII.30	(36,546)	598
Total equity attributable to shareholders of the Company		1,214,959	1,265,345
Non-controlling interest	VIII.31	45,290	57,300
Total shareholders' equity		1,260,249	1,322,645
Total liabilities and shareholders' equity		1,500,835	1,554,421
Net current assets		835,385	794,101
Total assets less current liabilities		1,264,763	1,332,659

For the year ended 31 December 2016

RMB'000

Item	Notes	At at 31 December 2016	As at 31 December 2015
Total operating revenue	VIII.32	483,306	509,257
Total operating costs		601,399	559,271
Operating cost	VIII.32	409,320	404,220
Sales tax and surcharges	VIII.33	8,155	7,448
Selling expenses		64,592	72,396
Administrative expenses		62,165	58,574
Financial expenses	VIII.34	(3,443)	(2,287)
Impairment loss of assets	VIII.35	60,610	18,920
Add: Profit/(loss) on the changes in fair value	VIII.36	21,121	(901)
Investment profit/(loss)	VIII.37	23,608	(7,570)
Including: Loss from investments in associates	VIII.37	(17,017)	(39,752)
Operating loss		(73,364)	(58,485)
Add: non-operating income	VIII.38	3,483	1,110
Including: Gain from disposal of non-current assets		136	5
Less: non-operating expenses	VIII.39	43	360
Including: Loss on disposal of non-current assets		15	248
Total loss		(69,924)	(57,735)
Less: Income tax expenses	VIII.40	950	(3,257)
Net loss		(70,874)	(54,478)
Net loss attributable to shareholders of the Company		(58,838)	(45,372)
Non-controlling shareholders		(12,036)	(9,106)

Item	Notes	RMB'000	
		At at 31 December 2016	As at 31 December 2015
Other net comprehensive income after tax	VIII.28	66	58
Other net comprehensive income after tax attributable to shareholders of the Company		40	35
Including: Other comprehensive income subsequently reclassified into profit or loss	VIII.46	40	35
Including: Exchange differences from retranslation of financial statements		40	35
Other net comprehensive income after tax attributable to non-controlling shareholders		26	23
Total comprehensive income		(70,808)	(54,420)
Total comprehensive income attributable to shareholders to the Company		(58,798)	(45,337)
Total comprehensive income attributable to non-controlling shareholders		(12,010)	(9,083)
Earnings per share			
Basic earnings per share (RMB per share)	XVII.2	(0.30)	(0.23)
Diluted earnings per share (RMB per share)	XVII.2	(0.30)	(0.23)
Dividends	VIII.44	–	19,731

For the year ended 31 December 2016

RMB'000

Item	Notes	At at 31 December 2016	As at 31 December 2015
1. Cash flows from operating activities:			
Cash flows from operating activities:		350,628	475,658
Tax refund received		15	2,699
Other cash receipt related to operating activities		21,329	92,442
Sub-total of cash inflows from operating activities		371,972	570,799
Cash paid for goods purchased and services received		320,743	369,374
Cash paid to and on behalf of employees		87,003	83,973
Payments of taxes and surcharges		25,994	17,812
Other cash payments relating to operating activities		69,524	122,344
Sub-total of cash outflows from operating activities		503,264	593,503
Net cash used in operating activities	VIII.47	(131,292)	(22,704)
2. Cash flows from investment activities			
Cash received from sales of investments		–	4,814
Cash received from returns on investments		344	32,115
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		52	11
Other cash receipt relating to investing activities		121,295	80,644
Sub-total of cash inflows from investing activities		121,691	117,584
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,788	3,404
Cash paid on investment		36,539	27,000
Other cash payments related to investing activities		42,291	122,395
Sub-total of cash outflows from investing activities		80,618	152,799
Net cash from investing activities		41,073	(35,215)

Item	Notes	RMB'000	
		At at 31 December 2016	As at 31 December 2015
3. Cash flows from financial activities:			
Cash received from investors		–	86,000
Including: cash received from non-controlling shareholders of subsidiaries		–	86,000
Cash received from borrowings obtained		–	14,390
Other cash receipts relating to financing activities		43	9,369
Sub-total of cash inflows from financial activities		43	109,759
Cash payments for borrowings repayment		6,500	21,890
Cash payments for distribution of dividends or profits or interest expense		698	21,143
Including: dividend or profits paid to non-controlling shareholders of subsidiaries		–	–
Other cash payment relating to financing activities		4,482	2,600
Sub-total of cash outflows from financial activities		11,680	45,633
Net cash from financial activities		(11,637)	64,126
4. Effect of exchange rate changes on cash and cash equivalents		50	26
5. Net increase in cash and cash equivalents	VIII.48	(101,806)	6,233
Add: balance of cash and cash equivalents at the beginning of the year		234,759	228,526
6. Balance of cash and cash equivalents at the end of the year	VIII.49	132,953	234,759

As at 31 December 2016

RMB'000

ITEM	For the year ended 31 December 2016							
	Attributable to shareholders of the Company						Non-controlling interest	Total shareholders' equity
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Undistributed profits	Subtotal		
Balance as at 1 January 2016	197,310	936,475	31	130,931	598	1,265,345	57,300	1,322,645
Net loss	-	-	-	-	(58,838)	(58,838)	(12,036)	(70,874)
Other comprehensive income	-	-	40	-	-	40	26	66
Transfer within owners' equity	-	(21,694)	-	-	21,694	-	-	-
Impact due to change in fair value	-	8,412	-	-	-	8,412	-	8,412
Sub-total of the changes during the year	-	(13,282)	40	-	(37,144)	(50,386)	(12,010)	(62,396)
Balance as at 31 December 2016	197,310	923,193	71	130,931	(36,546)	1,214,959	45,290	1,260,249

RMB'000

ITEM	For the year ended 31 December 2015							
	Attributable to shareholders of the Company						Non-controlling interest	Total shareholders' equity
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Undistributed profits	Subtotal		
Balance as at 1 January 2015	197,310	887,794	(4)	130,931	65,701	1,281,732	29,236	1,310,968
Net loss	-	-	-	-	(45,372)	(45,372)	(9,106)	(54,478)
Other comprehensive income	-	-	35	-	-	35	23	58
Shareholder's investment	-	-	-	-	-	-	86,000	86,000
Disposal of interests in subsidiaries	-	48,853	-	-	-	48,853	(48,853)	-
Impact due to change in fair value	-	-	-	-	(19,731)	(19,731)	-	(19,731)
Appropriation to shareholders	-	(172)	-	-	-	(172)	-	(172)
Sub-total of the changes during the year	-	48,681	35	-	(65,103)	(16,387)	28,064	11,677
Balance as at 31 December 2015	197,310	936,475	31	130,931	598	1,265,345	57,300	1,322,645

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

I. GENERAL INFORMATION

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

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

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

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

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

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The subsidiaries which are included in the scope of consolidated financial statements for the year ended 31 December 2016 of the Group are as follows:

Name of units	Shareholding(%)	
	Direct	Indirect
Beijing Beiqing Outdoor Advertisement Co., Ltd. (Beiqing Outdoor)	100.00	–
Beiqing Network Culture Communication Co., Ltd. (Beiqing Network) (Note 1)	100.00	–
Beijing Qingyou Information Technology Co., Ltd. (Qingyou Information)	100.00	–
BYD Logistics Company Limited (BYD Logistics)	92.84	–
Beiqing CéCi Advertising (Beijing) Limited (BeiqingCéci)	84.69	–
Beiqing Long Teng Investment Management (Beijing) Co., Limited (Beiqing Long Teng)	80.84	–
Beiqing Community Media Technology (Beijing) Co. Ltd (Beiqing Community Media) (Note 2)	54.37	–
Chongqing Youth Media Company Limited (Chingqing Media)	60.00	–
Chongqing PuLantian Western Food Co. (Chongqing PuLantian) (Note 3)	–	100.00
CHONG QING YOUTH (AMERICA) LLC (Chong Qing America)	–	100.00

Note 1: On 16 August 2016, upon approval from Beijing Municipal Administration of Industry and Commerce, Legal Evening PostMedia Company Limited was renamed as “Beiqing Media Network Culture Communication Co., Ltd.”

Note 2: On 9 March 2016, The original Beiqing Community Media completed the shareholding system reform and was renamed as “Beiqing Community Media Technology (Beijing) Co. Ltd”.

Note 3: The Group indirectly hold 60% equity interest of Chongqing PU Lantian, which is 100% holding by the Group’s 60% direct holding subsidiary Chongqing Media. As at 31 December 2016, the business of Chongqing PU Lantian has been ceased.

III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS**1. Basis of preparation**

The Group's financial statements for the year ended 31 December 2016 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 adoption of nine revised and new basic and specific standards issued by MOF ("New PRC Accounting Standards") and other relevant regulations issued by MOF ("PRC Accounting Standards") in 2014 financial year and disclosed in accordance with 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 V "Principal accounting policies and accounting estimates and basis of preparation of consolidated financial statements".

2. On a going concern basis

The directors have made an assessment and concluded that the Group is able to continue as a going concern for at least the next 12 months, and there is no existence of a material uncertainty on the ability of on-going operation.

IV. STATEMENT OF COMPLIANCE OF ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The Group's consolidated financial statements have been prepared in conformity with the "PRC Accounting Standards", and present truly and completely the consolidated financial position as at 31 December 2016 and their consolidated operating results, consolidated cash flows and other relevant information for the year then ended.

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**1. Accounting period**

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

2. Reporting currency

The reporting currency of the Group is RMB.

The financial statements of the Group are expressed in RMB.

3. Basis of preparation and principle of measurement

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

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

For the year ended 31 December 2016

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

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 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 business combination is realized through various transactions, the cost of combination shall be the sum of the cost of each transaction). 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 reassessment.

5. Preparation of consolidated financial statement

(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 Group consolidates all subsidiaries under control in the financial statements. 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, balances and unrealized profits 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. Current net profits or loss, other comprehensive income and share belonging to non-controlling interests in the total comprehensive incomes are respectively listed in the "Non-controlling interests, profit and loss of non-controlling interests, other comprehensive income attributable to non-controlling interests and total comprehensive income attributable to non-controlling interests".

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***5. Preparation of consolidated financial statement** *(Continued)***(2) Accounting method for consolidated financial statements** *(Continued)*

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 reporting entities had been existed since the ultimate controlling party began to control.

For transactions purchasing non-controlling interests or not loss of its control over the subsidiary as a result of disposal of part equity investment, it will be accounted for as equity transactions and adjusted the book value of shareholders' equity of the Company and non-controlling interests to reflect changes in related equity in the subsidiary. The differences between the adjustments of noncontrolling interests and fair value of consideration received are made adjustment to capital reserve. When the capital reserve is not sufficient to be written-off, adjusted the retained income.

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.

When the Group lost its control over the investee as a result of disposal of part of equity investment, when preparing consolidated financial statement, for the remaining equity, it will be re-measured at the fair value as at date of loss of control. The sum of consideration obtained from disposal of equity and remaining equity fair value, less share of net assets calculated from purchase date or consolidation date entitled according to original shareholding percentage, the differences are credited into investment income for the period losing of control and meanwhile wrote off the goodwill. Other comprehensive income related to equity investment in original subsidiary is converted into current investment income when losing the control.

6. Classification for joint venture arrangement and accounting methods for joint operation

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 V.12 using the principles of joint ventures accounted for long-term equity investments.

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

For the year ended 31 December 2016

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

6. Classification for joint venture arrangement and accounting methods for joint operation *(Continued)*

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. For the purchase in or sale from joint operation which does not constitute a business in asset transaction, only recognize the portion attributable to other participants of joint operation in the profits or loss incurred as a result of this transaction.

7. 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.

8. Foreign currency

(1) Foreign currency transactions

Foreign currency transactions of the Group are translated into RMB at the spot exchange rate of the date of transaction. At the end of the reporting period, 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. And exchange differences arising thereon are directly expensed in the profit and loss for the current period. 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.

(2) Translation of foreign currency financial statement

Items such as assets and liabilities in the foreign currency balance sheet are translated at the spot exchange rate on the end of the reporting period; shareholders' equity, except for "undistributed profits", is translated at the spot exchange rate at the time when the business incurred; income and expenses items in the income statement are translated at the spot exchange rate at the date when transaction occurs. Exchange differences from above translation are listed in the other comprehensive income. Foreign currency cash flow are translated at the spot exchange rate at the date when cashflow are incurred. Effects of changes in exchange rate over the cash is separately listed in the cashflow statement.

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

9. Financial assets and financial liabilities

(1) Financial assets

- 1) Classification, recognition basis and measurement methods for the financial assets
Financial assets of the Group are classified into four categories, namely 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.

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

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. Assets in this category are subsequently measured at fair value and changes in fair value is charged into profit or loss; interest or cash dividends acquired in the period of holding the assets is recognized into investment income; on disposal, the differences between the fair value and initial recorded amounts is recognized as investment return, meanwhile adjusted the profit or loss in changes in fair value.

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. It adopts effective interest rate method to subsequently measure it at amortized cost and the amortization or impairment and profit or loss after de-recognition are all charged into profit or loss in which period it occurred.

Loans and receivables are non-derivative financial assets with fixed or determinable recoverable amounts that are not quoted in an active market. They adopted effective interest rate method to subsequently measure it at amortized cost and the amortization or impairment and profit or loss after de-recognition are all charged into profit or loss in which period it occurred.

Available-for-sale financial assets are non-derivative financial assets that are designated in this category and not classified as financial assets of any other class upon initial recognition. In this category of assets, equity instrument investment which are not quoted in an active market and its fair value is unable to reliably measured and derivative financial assets that are linked with this equity instrument and settled through delivery of this instrument, are subsequently measured at cost; other that there are quoted in an active market or there are not quoted in an active market but it can be reliably measured, are measured at fair value and changes in fair value in charged into other comprehensive income. For this category financial assets, it is subsequently measured at fair value, except for impairment loss and exchange differences from foreign currency financial assets, changes in fair value of financial assets are directly charged into shareholders' equity, and upon de-recognition of this financial assets, the changes in fair value originally charged into equity is transferred into profit or loss in the current period. The interest calculated according to effective interest rate during the period when the debt instrument investment available for sale and cash dividend declared by investee unit and related to equity instrument available for sale are taken as investment income and credited into profits or loss in the current period. For the equity instrument investment which are not quoted in an active market and its fair value can not be reliably measured, it is measured at cost.

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

For the year ended 31 December 2016

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

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

(1) Financial assets *(Continued)*

- 2) Recognition basis and measurement methods for transferring financial assets
Financial assets are derecognized when it meets one of the following conditions: (1) the contract right to receive cashflow of this financial assets is terminated; (2) the financial assets has been transferred, and substantially all risk and rewards on the ownership of the financial assets have been transferred to the transferee; (3) the financial assets has been transferred, although the Group has not transferred nor retained substantially all risks and rewards on the ownership of the financial assets, but abandoned its control over the financial assets.

When the enterprises have not transferred nor retained substantially all risks and rewards on the ownership of the financial assets, and does not abandon its control over the financial assets, then recognize the related financial assets according to extent of continuing to be involved into the transferred financial assets, and correspondingly recognize the relevant liabilities.

When financial assets transfer meets its derecognition conditions, the carrying amount of financial assets transferred and difference between the consideration received as a result of transfer and accumulated sum of changes in fair value originally credited into other comprehensive income are charged into profit or loss for the current period.

Partial transfer in financial assets meets derecognition conditions, the carrying amount of entire financial assets transferred are apportioned between derecognition and untermiated recognition according to each relative fair value and the consideration received from transfer and originally apportioned to derecognized portion and accumulated sum of changes in fair value originally credited into other comprehensive income and the differences between the previously said carrying amount are charged into profit or loss for the current period.

- 3) Financial assets impairment testing methods and accounting methods
Except for financial assets at fair value through profit or loss, at the end of each reporting period, the Group reviewed the book value of other financial assets, if there is objective evidences indicating that some financial assets are impaired, then made provision for impairment. If the fair value of financial assets available for sale decreased significantly or non-temporarily, the accumulated losses arising from decreasing in fair value originally credited into shareholders' equity is charged into impairment loss.

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

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

(2) Financial liabilities

- 1) Classification, recognition basis and measurement methods for 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 net gain or loss arising from changes in fair value, and dividends and interest paid are recorded in profit or loss for the current period in which they are incurred.

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

- 2) Derecognition conditions for financial liability
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.

(3) Fair value measurement for financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, whether the price is directly observable or appraising its fair value using valuing techniques. Valuing technology includes the price used in the recent conducted market transactions by the Voluntary transaction parties referenced to familiar situations, referenced to the current fair value of substantially same other financial instrument, discounted cashflow based general price model to determine or confirm adopting observable prevailing market price.

For the purposes of financial reporting 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.

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

10. Provision for bad debts on receivables

Criteria for provision for bad debts: Provision for bad debts on receivable is made when the debtors are dissolved, bankrupt, insolvent, in significant financial difficulty, or suspended its business due to natural disaster and unable to settle the debts in the foreseeable period; or the receivable are defaulted for more than 5 years; or when there are objective evidences indicating the debts are not recovered or not likely to be recoverable.

Provision for bad debts is made using allowance account method. At the end of the period, receivables are assessed for impairment on individual or group basis and the provision for bad debts is recognised in the profit or loss for the current period. When there are objective evidences indicating the receivable cannot be collected, it is written off against the provision for bad debts as a loss of bad debts according to the required procedures of approval of the Group.

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

Judgement basis or value standard of individually significant receivable	Receivables of more than RMB5 million are regarded as individually significant receivable
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Method of provision for individually significant receivables on individual basis	Provision for bad debts is made as the excess of the bad debts for carrying amount over the present value of the future cash flow
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(2) Receivables that are provided for bad debts on group basis

Basis for determination of group

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

Method of provision for bad debts on group basis

Aged group	Provision is made for bad debts according to aging analysis
Related party group	No provision is made in general
Non-risk group	No provision is made in general

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Provision for bad debts on receivables (Continued)

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

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

Aged	Proportion to account 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

2) Proportion of provision for bad debts by other basis:

Related party group	Provision for bad debts are generally not made for related parties of the Group (such as jointly controlled entities and associates) where the difference between the present value of future cash flows and their carrying amount is expected to be minimal
Non-risk group	Including items such as rental deposits, purchase deposits, petty cash and amount subsequently received. Provision for bad debts is generally not made for these items where the difference between their present value of future cash flows and carrying amount is expected to be minimal

3) Receivables that are individually insignificant but are provided for bad debts individually

Reason for providing for bad debts individually	Receivables with individually insignificant amount and provision for bad debts made on group basis cannot reflect its credit risk characteristics
Method of provision for bad debts	Provision for bad debts is made for the excess of its 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)

For the year ended 31 December 2016

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

11. Inventories

Inventories mainly include raw materials and low-value consumables.

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

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

12. Long-term equity investment

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

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

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

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

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

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***12. Long-term equity investment** *(Continued)*

Under the cost method, long-term equity investments are measured at its investment cost, and its cost is adjusted by the amount of additional investment or the amount recovered. Under the equity method, investment gain or loss represents the Group's share of the net profits or losses made by the invested company for the current period. The share of the net profits or losses of the invested company is recognised based on the fair value of each of the identifiable assets of the invested company at the time of acquisition, after making appropriate adjustments there to 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 V.9; 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 V.9, 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 its 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 it is obtained.

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

13. Investment properties

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

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

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

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

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

13. Investment properties *(Continued)*

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 recognized 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, rendering services, leasing or operation and management. The useful lives of fixed assets are more than one year.

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

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

Category	Useful life (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

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***14. Fixed assets** *(Continued)*

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.

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.

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

16. Intangible assets

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

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

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

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 the end of each of the reporting period, 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) here 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;

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND 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 prepaid expenses

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

20. Employee benefits

The Group recognises employee remuneration 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. Compensation for termination of employment with any employee is recognised in the profit or loss for the period.

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

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

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

21. Recognition of revenue

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.

(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 technical service

Revenue from technical service is recognized when the services are provided.

(6) Revenue from rental income

Rental income is recognised in accordance with the Group's accounting policy for operating lease (see Note V.24).

22. Government grants

A government grant is recognized 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 recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized directly in profit or loss for the current period.

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***23. Deferred income tax assets and deferred income tax liabilities**

Deferred income tax assets and deferred income tax liabilities of the Group are recognized based on the differences between tax bases of assets and liabilities and respective book value (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 recognized. 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 asset is realized or liability is settled.

The deferred income tax assets arising from the deductible temporary difference are recognized 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, recognized 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 unrecognized finance lease charge.

Operating leases are leases other than finance leases. The Group, as a lessee, recognized 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, recognized 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 for using liability method. Income tax expenses represent the sum of current tax and deferred tax. Current tax and deferred tax relating to the transactions and matters that are directly recorded in shareholders' equity are dealt with in shareholders' equity. Deferred tax arising from business combination is adjusted to the carrying value of goodwill. Expenses or income of all other current tax and deferred tax are recognized 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 recognized using the balance sheet liabilities approach at the end of the period and their balances originally recognized.

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V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND 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; (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; and (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 judgements

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 historical 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 recognized 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 followings are the key assumptions on the future, and other key sources of estimation uncertainty at the end of the reporting period, 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 and investment properties of the Group have not been granted with Building Ownership Certificates by relevant government authorities. In the opinion of the Directors of the Company, the absence of Building Ownership Certificates of these buildings will not impair the value of the buildings and investment properties of the Group.

(2) Depreciation of fixed assets

Fixed assets are depreciated on a straight-line basis over their estimated useful lives and estimated residual values. The determination of the useful lives and residual values involve the estimates of the management. The Group assesses annually the residual value and useful life of the fixed asset 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 properties

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

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***27. Key accounting estimates and judgements** *(Continued)***(4) Allowance 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 and aging analysis of accounts receivable and the management's judgment. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and past collection history of each customer. If the financial condition of debtors of the Group is 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.

(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 deferral 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 of its recoverable amount (higher of value-in-use and fair value less cost to sell) with 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 and makes 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 realizable value for such items based primarily on the latest invoice prices and current market condition. The Group carries out an inventory review on a product basis at the end of each reporting period and makes allowance for obsolete items. Where the actual future cash flows are less than expected, a material impairment loss may arise.

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

For the year ended 31 December 2016

VI. CHANGE IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS OF PRIOR PERIODS

1. Changes in accounting policies and their effect

Relevant change in accounting policies has no materials effect on the financial statements of the Group.

2. Change in accounting estimates and their effect

There were no changes in accounting estimates during the period.

3. Correction of errors of prior periods and their effect

No correction of accounting errors of prior periods was made during the period.

VII. TAX

1. Enterprise Income Tax ("EIT")

According to the tax regulation of the State, the Group is subject to EIT at the tax rate of 25% on the assessable income.

In accordance with Beijing Municipal Finance Bureau, Beijing Municipal State Administration of Taxation, the Beijing Local Taxation Bureau, Beijing Municipal Committee of the Chinese Communist Party Propaganda Department forwarded Ministry of Finance, State Administration of Taxation, the Central Propaganda Department on the continued implementation of the cultural system in managing cultural institutions transformed into enterprises several tax policy notice (Jing CaiShui [2014] No.2907), the Company is exempted from EIT from 1 January 2014 to 31 December 2018.

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

2. Value added tax ("VAT")

For the Group, being a general VAT taxpayer, the rates of output VAT on income from sales of goods is 17%.

Since 1 May 2016, the Group's revenue from venue leases and property leases are subject to value-added tax at a rate of 11%, and its interest income on entrusted loans is subject to VAT at 6% of the amount of loans.

VAT credited in form of purchase of raw materials, rental expenses and advertising fees by the companies of the Group which are general VAT taxpayers can offset sales tax, tax rates are 17%, 11% and 6% respectively.

The value-added tax 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 prior to 1 May 2016.

VII. TAX (Continued)**4. Other principal taxes and tax rates**

Type	Basis of calculation	Tax rate
Cultural construction fee	Taxable revenue from advertising	3%
Urban maintenance and construction tax	Turnover tax payable	7%
Educational surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**1. Bank balances and cash**

Item	As at 31 December 2016	As at 31 December 2015
Bank balance and cash	132,953	234,759
Short-term bank deposits	73,615	111,683
Restricted bank deposits	7,959	3,511
Total	214,527	349,953

The Group's bank balances are deposited at banks in the PRC and carry interest at market interest rates of 0.35% to 1.49% (2015: 0.35% to 1.49%) per annum.

Short-term bank deposits represented fixed deposits with original maturities ranging from three months to one year and carry fixed interest rates ranging from 2.85% to 3.50% (2015: 2.85% to 3.50%) per annum.

Restricted bank deposits represent marginal deposit for bank acceptance notes and carry market interest rates of 0.35% to 0.50% (2015: 0.35% to 0.50%) per annum.

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

For the year ended 31 December 2016

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

2. Accounts receivable

Item	As at 31 December 2016	As at 31 December 2015
Accounts receivable	508,760	452,642
Less: Provision for bad debts	86,715	42,850
Net accounts receivable	422,045	409,792
For reporting purpose, analysis as:		
Non-current assets – long-term receivables	–	–
Current assets – accounts receivable	422,045	409,792
Total	422,045	409,792

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

Item	As at 31 December 2016	As at 31 December 2015
0-90 days	56,223	112,802
91-180 days	57,594	36,193
181-365 days	81,707	53,962
1-2 years	99,341	93,260
Over 2 years	127,180	113,575
Total	422,045	409,792

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

For the year ended 31 December 2016

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

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

2. Accounts receivable (Continued)

(2) Analysis of account receivable by categories:

Item	As at 31 December 2016				As at 31 December 2015			
	Balance of carrying amount		Provision for bad debts		Balance of carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Significant individual receivables with bad debt provision made on individual basis	-	-	-	-	-	-	-	-
Receivables with bad debt provision made on group basis:								
Aging group	322,789	63.45	40,335	12.50	286,117	63.21	34,227	11.96
Related party group	164,850	32.40	31,384	19.04	157,255	34.74	-	-
Non-risk group	-	-	-	-	257	0.06	-	-
Sub-total	487,639	95.85	71,719	14.71	443,629	98.01	34,227	7.72
Insignificant individual receivables but with bad debt provision made on individual basis	21,121	4.15	14,996	71.00	9,013	1.99	8,623	95.67
Total	508,760	100.00	86,715		452,642	100.00	42,850	

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

Item	As at 31 December 2016			As at 31 December 2015		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
Within 1 year	167,656	-	-	147,622	-	-
1-2 years	82,122	10.00	8,212	70,214	10.00	7,021
2-3 years	38,284	30.00	11,485	47,017	30.00	14,106
3-4 years	23,812	50.00	11,906	13,036	50.00	6,518
Over 4 years	10,915	80.00	8,732	8,228	80.00	6,582
Total	322,789	-	40,335	286,117	-	34,227

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

2. Accounts receivable (Continued)

- (3) The top five accounts receivable as at 31 December 2016 represented 33.15% of the total accounts receivable.
- (4) The aging analysis of the accounts receivable which are past due but not impaired as at the balance sheet date are as follows:

Item	As at 31 December 2016	As at 31 December 2015
Within 6 months	8,711	53,033
6 months to 1 year	12,471	3,019
1-2 years	27,177	32,892
2-3 years	51,653	60,153
3-4 years	26,899	1,860
Over 4 years	6,555	6,555
Total	133,466	157,512

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

3. Prepayments

Item	As at 31 December 2016	As at 31 December 2015
Prepayments	54,446	59,869
Less: Provision for bad debts	-	-
Net prepayments	54,446	59,869

The top five prepayments as at 31 December 2016 represented 40.41% of the total prepayments.

For the year ended 31 December 2016

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

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

4. Interest receivable

Item	As at 31 December 2016	As at 31 December 2015
Fixed deposit interest	182	1,212
Total	182	1,212

5. Other receivables

Item	As at 31 December 2016	As at 31 December 2015
Other receivables	314,032	137,565
Less: Provision for bad debts	2,735	3,291
Net other receivables	311,297	134,274

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

For the year ended 31 December 2016

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

5. Other receivables (Continued)

(1) Analysis of other receivables by categories:

Item	As at 31 December 2016				As at 31 December 2015			
	Balance of carrying amount		Provision for bad debts		Balance of carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with bad debt provision made on group basis	-	-	-	-	-	-	-	-
Aging group	173,903	55.38	790	0.90	4,611	3.35	1,346	29.19
Related party group	7,670	2.44	-	-	110,697	80.47	-	-
Non-risk group	130,514	41.56	-	-	20,312	14.77	-	-
Sub-total	312,087	99.38	790	0.35	135,620	98.59	1,346	0.99
Insignificant individual other receivables but with bad debt provision made on individual basis	1,945	0.62	1,945	100.00	1,945	1.41	1,945	100.00
Total	314,032	100.00	2,735		137,565	100.00	3,291	

Other receivables with bad debt provision by aging analysis:

Item	As at 31 December 2016			As at 31 December 2015		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
Within 1 year	172,003	-	-	1,541	-	-
1-2 years	-	10.00	-	800	10.00	80
2-3 years	800	30.00	240	1,100	30.00	330
3-4 years	1,100	50.00	550	-	50.00	-
Over 4 years	-	80.00	-	1,170	80.00	936
Total	173,903		790	4,611		1,346

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

5. Other receivables (Continued)

(2) Other receivables by nature analysis:

Nature	As at 31 December 2016	As at 31 December 2015
Related party current account	7,670	110,697
Government grant	3,000	–
External unit current	115,768	14,311
Deposit and margin	14,617	6,505
Reserve funds	4,822	4,472
Other	155	1,580
Receivable from disposal of interests in an associate (Note 1)	168,000	–
Total	314,032	137,565

Note 1: The amount represents the balance receivable from disposal of interests in an associate, Beijing Transmedia Co. Limited. As at the issue date of the audit report, RMB85,680 thousand out of RMB168,000 thousand was received.

- (3) The top five other receivables as at 31 December 2016 represented 92.55% of the total other receivables.

6. Inventories

Item	As at 31 December 2016			As at 31 December 2015		
	Carrying amount	Provision for impairment	Carrying value	Carrying amount	Provision for impairment	Carrying value
Goods in stock	28,177	60	28,117	39,458	3,495	35,963
Total	28,177	60	28,117	39,458	3,495	35,963

As 31 December 2016, no goods in stock which had been written down to net realizable value in prior years were sold (2015: nil).

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

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

7. Non-current assets due within one year

Item	As at 31 December 2016	As at 31 December 2015
Long term expenses to be amortized in next year	1,060	1,760
Total	1,060	1,760

8. Other current assets

Item	As at 31 December 2016	As at 31 December 2015
Held-to-maturity investment (Note 1)	10,666	13,040
External loan (Note 2)	7,000	10,000
VAT utilizable	22,105	–
Prepaid income tax	12	–
Total	39,783	23,040

Note 1: the held-to-maturity investment including:

The Company had entered into an investment agreement in accordance with the proportion of investment with Beijing Forest Movies Culture Media Co., Ltd., pursuant to which the Company will invest RMB12,040 thousand (representing 20% of total investment cost of the TV series) for the production of TV series “Billow” (《巨浪》). The Company will enjoy the benefits in accordance with the proportion of investment based on the “Earnings Settlement Report” and will not participate in the production process. As at 31 December 2016, the Company had received revenue from distribution of the TV series of RMB8,174 thousand, and the remaining balance of the investment in the TV series amounted to RMB3,866 thousand.

The Company entered into a fixed income investment agreement with Sichuan Bajun Union Entertainment Co., Ltd., with Sichuan Rongtuo Assets Management Co., Ltd. providing guarantee for the income of the Company on a basis of joint and several liability. The Company will invest RMB5,000 thousand in the production of TV series “Grain Field under the Sun” (《天下糧田》) for a term of one year at a fixed annual return of 15%. The Company will not participate in the operation of the TV series. It will not bear any risk or loss and will not participate in the sharing of any income of the TV series. As at 31 December 2016, the Company’s remaining balance of the investment in the TV series amounted to RMB5,000 thousand.

The Company had entered into a joint investment agreement with Beijing Forest Movies Culture Media Co., Ltd. for the production of internet TV series (《網紅製造》) and internet film (《藍白也出CP黨》) with total investment RMB12,000 thousand, comprising RMB9,200 thousand for the production of internet TV series, RMB2,200 thousand for the production of internet film and RMB600 thousand for the advertising costs. During the year, the Company had invest RMB1,800 thousand (representing 15% of total investment cost of the agreement). The Company will enjoy the benefits in accordance with the proportion of investment based on the “Earnings Settlement Report” and will not participate in the production process. As at 31 December 2016, the relevant internet TV series and internet film were not published.

Note 2: As at 31 December 2016, BYD Logistics, a subsidiary of the Company, provide a short term loan of RMB3,000 thousand and an entrusted bank loan of RMB4,000 thousand to Beijing Beiqing Top Advertising Limited, an associate of the Company. The terms of the loans are from 11 March 2016 to 11 March 2017 and from 4 February 2016 to 3 February 2017, and both bear interest at 4.35% per annum, respectively.

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

9. Available-for-sale financial assets

(1) Details of financial assets available-for-sale

Item	As at 31 December 2016			As at 31 December 2015		
	Carrying amount	Provision for impairment	Carrying value	Carrying amount	Provision for impairment	Carrying value
Available-for-sale equity instrument	170,815	5,069	165,746	170,815	5,069	165,746
At fair value	-	-	-	-	-	-
Measured at cost	170,815	5,069	165,746	170,815	5,069	165,746
Total	170,815	5,069	165,746	170,815	5,069	165,746

(2) Available-for-sale financial assets are analyzed as follows:

Type	As at 31 December 2016	As at 31 December 2015
Unlisted equity investments, China	170,815	170,815
Provision for impairment of unlisted equity investments	5,069	5,069
Total	165,746	165,746

The unlisted equity investment and equity investment fund held by the Group have no quoted price in active market and their fair value can not be reliably measured, therefore, they were measured at cost.

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

9. Available-for-sale financial assets (Continued)

(3) Available-for-sale financial assets measured at cost

Investee	Carrying balance			As at 31 December 2016
	As at 1 January 2016	Increase in this year	Decrease in this year	
Suzhou Huaying Culture Industry Investment Enterprise	3,678	–	–	3,678
Beijing Keyin Media Culture Co., Ltd	6,560	–	–	6,560
Beiyang Publishing & Media AG	103,000	–	–	103,000
Beijing Gehua Sunshine Advertising Company	3,000	–	–	3,000
Beijing Youth Daily Newspaper Internet Communication Technology Co., Ltd.	500	–	–	500
Flint Ink (Beijing) Co., Ltd.	2,069	–	–	2,069
Beijing Runxin Dingtai Investment Center (limited partnership)	47,008	–	–	47,008
Beijing 3D Investment Fund Management Ltd. (Note 1)	5,000	–	–	5,000
Total	170,815	–	–	170,815

Investee	Provision for impairment			As at 31 December 2016	Shareholding percentage (%)	Cash bonus for the year ended 31 December 2016
	As at 1 January 2016	Increase in this year	Decrease in this year			
Suzhou Huaying Culture Industry Investment Enterprise	–	–	–	–	2.25	–
Beijing Keyin Media Culture Co., Ltd	–	–	–	–	16.00	344
Beiyang Publishing & Media AG	–	–	–	–	2.43	–
Beijing Gehua Sunshine Advertising Company	3,000	–	–	3,000	30.00	–
Beijing Youth Daily Newspaper Internet Communication Technology CO., Ltd.	–	–	–	–	5.00	–
Flint Ink (Beijing) Co., Ltd.	2,069	–	–	2,069	5.00	–
Beijing Runxin Dingtai Investment Center (limited partnership)	–	–	–	–	11.62	–
Beijing 3D Investment Fund Management Ltd. (Note 1)	–	–	–	–	14.29	–
Total	5,069	–	–	5,069	–	344

Note 1: According to the information shown in the business license of Beijing 3D Investment Fund Management Ltd., the Company's subsidiary, Beijing Long Teng Investment Management (Beijing) Co., Limited, owned no shareholding of Beijing 3D Investment Fund Management Ltd. since 19 January 2016.

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

9. Available-for-sale financial assets (Continued)

(4) Provision for impairment of available-for-sale financial assets

Classification of available-for-sale financial assets	Available-for-sale equity instrument	Total
Provided for impairment as at 1 January 2016	5,069	5,069
Provided in the current year	–	–
Including: transferred in from other comprehensive income	–	–
Decrease in this year	–	–
Including: subsequent reverse from increase in fair value	–	–
Provided for impairment as at 31 December 2016	5,069	5,069

10. Long-term equity investment

(1) Types for long-term equity investments

Type	As at 31 December 2016	As at 31 December 2015
Investments in associates – under equity method	37,756	171,574
Less: provision for impairment for investments in associates	–	25,621
Total	37,756	145,953

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

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

10. Long-term equity investment (Continued)
(2) Investments in associates

Investee	Balance as at 1 January 2016	Changes in the current year							Balance of impairment	
		Additional investment	Decrease in investment	Investment gain or loss recognized under equity method	Other comprehensive income adjustment	Changes in other equity	Declaration of cash dividend or profit	Provision for impairment	Balance as at 31 December 2016	provision as at 31 December 2016
1. Associates										
Beijing Leisure Trend Advertising Company Limited ("Leisure Trend")	-	-	-	-	-	-	-	-	-	-
Beijing Beiqing Shengda Automobile Service Company Limited ("BeiqingShengda")	-	-	-	-	-	-	-	-	-	-
Beijing Beisheng United Insurance Agency Co. Limited ("Beisheng United")	367	-	-	218	-	-	-	-	585	-
BY Times Consulting Co., Ltd	97	-	-	(95)	-	-	-	-	2	-
Beiqing Transmedia Co., Ltd ("BQTM")	143,307	-	(127,719)	(15,588)	-	-	-	-	-	-
Beijing Beiqing Top Advertising Limited ("Beiqing Top")	-	-	-	-	-	-	-	-	-	-
Hebei Jujingcai E-commerce Company Limited ("Jujingcai")	-	-	-	-	-	-	-	-	-	-
Beijing Lingshi Technology Co., Ltd ("Beijing Lingshi")	1,179	-	-	(1,179)	-	-	-	-	-	-
Beijing International Advertising Media Group Co., Limited	-	33,119	-	-	-	-	-	-	33,119	-
Chongqing Soyang Internet Technology Co., Ltd ("Chongqing Soyang")	1,003	-	-	(55)	-	-	-	-	948	-
Beijing Shangyou Network Technology Co., Ltd.	-	3,420	-	(318)	-	-	-	-	3,102	-
Total	145,953	36,539	(127,719)	(17,017)	-	-	-	-	37,756	-

Item	As at 31 December 2016	As at 31 December 2015
Unlisted investments, at cost	80,606	192,532
Share of post-acquisition profit	(42,850)	(21,283)
Share of capital reserves of associates	-	325
Total	37,756	171,574

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

11. Investment properties

(1) Investment properties measured at fair value

Item	Fair value as at 1 January 2016	Increase during the year		Decrease during the year		Fair value as at 31 December 2016
		Purchase	Gain or loss arising from changes in fair values	Disposal	Change into owner- occupied property	
Cost	33,992	18,656	-	-	-	52,648
Buildings	33,992	18,656	-	-	-	52,648
Changes in fair value	22,474	-	29,534	-	-	52,008
Buildings	22,474	-	29,534	-	-	52,008
Carrying value	56,466	18,656	29,534	-	-	104,656
Buildings	56,466	18,656	29,534	-	-	104,656

The fair value of the Group's investment properties as at 31 December 2016 have been arrived at by reference to recent market prices for similar properties in the same locations and conditions.

As at 31 December 2016, the carrying values of the investment properties for which the Group had not been granted formal title amounted to approximately RMB59,083 thousand (2015: RMB11,270 thousand). In the opinion of the directors of the Company, the absence of formal title to these properties does not impair the value of the relevant properties to the Group. The directors of the Company also believe that formal title to these properties will be granted to the Group in due course.

During the year, the rental income generated from investment properties is RMB3,642 thousand (2015: RMB2,766 thousand).

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

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

11. Investment properties (Continued)

(2) Investment properties are analyzed by the place where it locates and years of period as follows:

Item	Fair value as at 31 December 2016	Fair value as at 1 January 2016
Located inside of PRC		
Medium term (10-50 years)	94,659	47,157
Located outside of PRC		
Long term (over 50 years)	9,997	9,309
Total	104,656	56,466

(3) Investment properties are detailed as follows:

No.	Address	Usage
1	502-D-0201, Yuelianghe Chengbaogongyu, Xinwahdajie, Tongzhou District, Beijing.	Residential
2	502-C-0601, Yuelianghe Chengbaogongyu, Xinwahdajie, Tongzhou District, Beijing.	Residential
3	502-C-0301, Yuelianghe Chengbaogongyu, Xinwahdajie, Tongzhou District, Beijing.	Residential
4	No.9, Section A, No.1 Floor, Jinyufenglinzhou, Office No.265 Yaojiayuanxikou, Chaoyang District, Beijing.	Office
5	No.3, Section A, No.1 Floor, Jinyufenglinzhou, Office No.265 Yaojiayuanxikou, Chaoyang District, Beijing.	Office
6	No.12, Section A, No.1 Floor, Jinyufenglinzhou, Office No.265 Yaojiayuanxikou, Chaoyang District, Beijing.	Office
7	C1501, No.5 Huizhong Road, Chaoyang District, Beijing.	Office
8	C1502, No.5 Huizhong Road, Chaoyang District, Beijing.	Office
9	C1503, No.5 Huizhong Road, Chaoyang District, Beijing.	Office
10	C1505, No.5 Huizhong Road, Chaoyang District, Beijing.	Office
11	C1506, No.5 Huizhong Road, Chaoyang District, Beijing.	Office
12	201 No.1 Zhuoda Scotland City84.Jinhai Road, Nanhaixinqu, Weihai	Residential
13	301 No.1 Zhuoda Scotland City84.Jinhai Road, Nanhaixinqu, Weihai	Residential
14	402 No.1 Zhuoda Scotland City84.Jinhai Road, Nanhaixinqu, Weihai	Residential
15	501 No.1 Zhuoda Scotland City84.Jinhai Road, Nanhaixinqu, Weihai	Residential
16	103 No.2 Zhuoda Scotland City84.Jinhai Road, Nanhaixinqu, Weihai	Residential
17	14612 Nevada CT Fontana, CA 92336 USA	Residential
18	Victoria Woods @ Providence, Block 0036, 2329 Victoria Dr Davenport FL 33837 USA	Residential
19	ChampionsGate 50, Block H162, ChampionsGate FL 33896 USA	Residential

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**11. Investment properties (Continued)****(3) Investment properties are detailed as follows: (Continued)**

No.	Address	Usage
20	79-2403 Evergrande Splendor, Wuqing, Tianjin	Residential
21	79-2503 Evergrande Splendor, Wuqing, Tianjin	Residential
22	79-2703 Evergrande Splendor, Wuqing, Tianjin	Residential
23	79-2803 Evergrande Splendor, Wuqing, Tianjin	Residential
24	79-2903 Evergrande Splendor, Wuqing, Tianjin	Residential
25	79-3003 Evergrande Splendor, Wuqing, Tianjin	Residential
26	26-4-801 Evergrande Splendor, Wuqing, Tianjin	Residential
27	26-4-901 Evergrande Splendor, Wuqing, Tianjin	Residential
28	26-4-1001 Evergrande Splendor, Wuqing, Tianjin	Residential
29	26-4-1004 Evergrande Splendor, Wuqing, Tianjin	Residential
30	26-4-1204 Evergrande Splendor, Wuqing, Tianjin	Residential
31	26-4-1604 Evergrande Splendor, Wuqing, Tianjin	Residential
32	26-4-1701 Evergrande Splendor, Wuqing, Tianjin	Residential
33	26-4-2001 Evergrande Splendor, Wuqing, Tianjin	Residential
34	26-4-2201 Evergrande Splendor, Wuqing, Tianjin	Residential
35	26-4-2601 Evergrande Splendor, Wuqing, Tianjin	Residential
36	26-4-1201 Evergrande Splendor, Wuqing, Tianjin	Residential
37	26-4-1801 Evergrande Splendor, Wuqing, Tianjin	Residential
38	Room 2302, Block D, Jinwanwei, Boao, Hainan	Residential
39	Flat 3903, Block 1, ShanhaiTongwan	Residential
40	Flat 126, No.1, Block 2, ShanhaiTongwan	Residential
41	Flat 603, No.1, Block 17, ShanhaiTongwan	Residential
42	Flat 3723, Block 26, ShanhaiTongwan	Residential
43	Flat M10, Block 26, ShanhaiTongwan	Residential
44	Flat 3909, Block 22, ShanhaiTongwan	Residential
45	Flat 3805, Block 22, ShanhaiTongwan	Residential

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

12. Fixed assets

(1) Breakdown of fixed assets

Item	As at 1 January 2016	Increase during the year	Decrease during the year	As at 31 December 2016
Total cost	39,640	1,696	2,374	38,962
Buildings	15,775	–	–	15,775
Plant and machinery	4,235	–	–	4,235
Motor vehicles	4,765	417	471	4,711
Office equipment	1,723	484	1,250	957
Electronic equipment	13,142	795	653	13,284
Total accumulated depreciation	29,167	3,630	2,334	30,463
Buildings	11,732	757	–	12,489
Plant and machinery	1,987	397	–	2,384
Motor vehicles	3,813	445	462	3,796
Office equipment	828	479	1,244	63
Electronic equipment	10,807	1,552	628	11,731
Total net carrying amount	10,473			8,499
Buildings	4,043			3,286
Plant and machinery	2,248			1,851
Motor vehicles	952			915
Office equipment	895			894
Electronic equipment	2,335			1,553
Total provision for impairment loss	–	–	–	–
Buildings	–	–	–	–
Plant and machinery	–	–	–	–
Motor vehicles	–	–	–	–
Office equipment	–	–	–	–
Electronic equipment	–	–	–	–
Total net book value	10,473			8,499
Buildings	4,043			3,286
Plant and machinery	2,248			1,851
Motor vehicles	952			915
Office equipment	895			894
Electronic equipment	2,335			1,553

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**12. Fixed assets (Continued)****(1) Breakdown of fixed assets (Continued)**

For the year ended 31 December 2016, the depreciation of fixed assets recognized in the consolidated income statement amounted to RMB3,630 thousand (2015: RMB3,533 thousand).

For the year ended 31 December 2016, the net profit on disposal of fixed assets recognized in the consolidated income statement amounted to RMB121 thousand (2015: net loss of RMB243 thousand).

For the year ended 31 December 2016, the rental income generated from fixed assets recognized in the consolidated income statement amounted to RMB5,023 thousand (2015: RMB3,843 thousand).

(2) Buildings are analyzed by the place where it locates and years of period as follow:

Item	As at 31 December 2016	As at 1 January 2016
Located inside of PRC Medium term (10-50 years)	3,286	4,043
Total	3,286	4,043

(3) Fixed assets through operating lease

As at 31 December 2016, a fixed asset with carrying amount of RMB3,286 thousand (cost of RMB15,775 thousand) was leased out through operating lease (2015: carrying amounts of RMB4,043 thousand, cost of RMB15,775 thousand).

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

13. Intangible assets

(1) Breakdown of intangible assets

Item	As at 1 January 2016	Increase during the year	Decrease during the year	As at 31 December 2016
Total cost	54,297	314	–	54,611
Land use rights	40,226	–	–	40,226
Software	1,771	314	–	2,085
Operation rights	12,300	–	–	12,300
Total accumulated amortization	17,977	1,535	–	19,512
Land use rights	15,876	888	–	16,764
Software	1,076	237	–	1,313
Operation rights	1,025	410	–	1,435
Total carrying amount	36,320			35,099
Land use rights	24,350			23,462
Software	695			772
Operation rights	11,275			10,865

For the year ended 31 December 2016, the amortization of intangible assets recognized in the consolidated income statement for the year is RMB1,535 thousand (2015: RMB1,458 thousand).

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

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

14. Goodwill

Item	As at 31 December 2016	As at 31 December 2015
Goodwill arising from the acquisition of Beiqing CéCi	47,377	47,377
Less: provision for impairment loss	12,000	–
Total	35,377	47,377

Goodwill arising from the acquisition of Beiqing CéCi in 2011 was assessed for impairment at 31 December 2016.

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 the valuation results of Beijing Zhong Lin Xin Ping Zi (2017) no. Y052 “Report in relation to the impairment testing of the propose goodwill consolidation of Beiqing CéCi Advertising (Beijing) Limited by Beijing Media Corporation Limited” issued by Beijing Zhong Li Xin Asset Valuation Co., Ltd. (北京中立信資產評估有限公司) on 22 March 2017, and provision for goodwill impairment of RMB12,000 thousand was made. Management believes that, any reasonable and potential change in such assumptions will not result in the recoverable amount of the asset group falling below its carrying value.

15. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets not written off

Item	As at 31 December 2016		As at 31 December 2015	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	8,728	2,182	10,994	2,749
Employee benefit payables	152	38	69	17
Temporary difference of taxable income	–	–	(79)	(20)
Uncompensated loss	51,764	12,941	51,764	12,941
Total	60,644	15,161	62,748	15,687

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For the year ended 31 December 2016

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

15. Deferred income tax assets and deferred income tax liabilities (Continued)

(2) Deferred income tax liabilities not written off

Item	As at 31 December 2016		As at 31 December 2015	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Change in fair value of investment properties	18,055	4,514	18,055	4,514
Total	18,055	4,514	18,055	4,514

(3) As at 31 December 2016, the Group has unused tax losses of approximately RMB67,031 thousand (2015: RMB26,204 thousand) available for offset against future taxable profits. No deferred income tax assets has been recognized for these tax losses due to the uncertainty of future taxable profits streams. These tax losses will be expired at various dates up to 2021.

16. Other non-current assets

Item	As at 31 December 2016	As at 31 December 2015
Entrustment loan (Note1)	–	3,000
Film project prepaid expenses (Note2)	26,590	56,090
Total	26,590	59,090

Note 1: As at 31 December 2015, the Company provided an entrusted loan in aggregate of RMB3,000 thousand to Chongqing Youth Industrial Co., Ltd. on 29 December 2013 via bank for a term of three years and carry fixed interest rates of 6.15% per annum. The entrusted loan was due and repaid on 29 October 2016.

Note 2: Film project prepaid expenses related to the Company's participation in film and television production of "Oriental King of Soccer" (《東方球王》) and "Heart of Ice" (《破冰》). The settlement period of the project exceeds one year. The Company entered into agreements with Daqianmen (Beijing) Media Co. Ltd., pursuant to which the Company participated in the production of TV series "Oriental King of Soccer"; with Beijing Forest Movies Culture Media Co., Ltd., pursuant to which the Company involved in production of TV series "Heart of Ice". As at 31 December 2016, the balances of prepaid expenses related to the remaining television projects "Oriental King of Soccer" and "Heart of Ice" are RMB21,600 thousand and RMB4,990 thousand respectively.

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

17. Breakdown of impairment provision of assets

Item	As at	Increase during the year		Decrease during the year		As at
	1 January	Provision	Other	Reversal	Other	31 December
	2016		transfer-in		transfer-out	2016
Provision for bad debts	46,141	48,610	-	5,301	-	89,450
Provision for impairment of inventories	3,495	-	-	3,435	-	60
Provision for impairment of available for sale financial assets	5,069	-	-	-	-	5,069
Provision for impairment of investments in associate	25,621	-	-	-	25,621	-
Provision for impairment of goodwill	-	12,000	-	-	-	12,000
Total	80,326	60,610	-	8,736	25,621	106,579

Note: On 11 April 2016, the Company entered into an equity transfer agreement with Beijing Trans-media Co., Ltd. ("Trans-media") that the Company has agreed to sell and Trans-media has agreed to purchase the Company's 36.12% equity interest in BeijingTransmedia Co., Ltd. ("BQTM") for cash consideration of RMB168,000 thousand. The aforesaid agreement was approved on the annual general meeting of the Company held on 30 June 2016. Upon the completion of the aforesaid equity transfer, the Company will cease to hold any equity interest in BQTM. The provision for impairment of investments in associate RMB25,621 thousand is transferred to the current profit or loss.

18. Notes payable

Item	As at 31 December 2016	As at 31 December 2015
Bankers' acceptances	51,188	35,114
Total	51,188	35,114

Note: As at 31 December 2016, the above notes payable were aged within 6 months.

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

19. Accounts payable

The following is an aging analysis of accounts payable as at 31 December 2016 presented based on the invoice date:

Item	As at 31 December 2016	As at 31 December 2015
0-90 days	4,509	11,849
91-180 days	27,613	17,212
181-365 days	23,025	4,061
Over one year	23,769	42,211
Total	78,916	75,333

The average credit term 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.

20. Employee benefit payables

(1) Classification for employee benefit payables

Item	As at 31 December 2016	As at 31 December 2015
Short-term remuneration	8,174	5,873
Post-employment benefit – Defined contribution plan	708	903
Total	8,882	6,776

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

20. Employee benefit payables (Continued)

(2) Short-term remuneration

Item	As at 1 January 2016	Increase during the year	Decrease during the year	As at 31 December 2016
Salaries, bonus, allowances and subsidies	1,625	67,051	65,098	3,578
Staff benefits	17	2,116	2,133	–
Social security insurance	505	5,214	5,340	379
Including: medical insurance	415	4,723	4,795	343
Labour injury insurance	16	161	166	11
Maternity insurance	74	330	379	25
Housing fund	–	5,141	5,130	11
Union fund and staff education fund	3,726	1,168	688	4,206
Total	5,873	80,690	78,389	8,174

(3) Defined contribution plan

Item	As at 1 January 2016	Increase during the year	Decrease during the year	As at 31 December 2016
Basic pension insurance	862	8,711	8,895	678
Unemployment insurance	41	396	407	30
Total	903	9,107	9,302	708

The Group participated in the social insurance premiums plans set up by the government according to the regulations. According to the plan, the Group makes deposits into the plans according to the regulations. Other than the deposits mentioned above, the Group does not need to make any further payments. The corresponding expenses shall be charged to the profit or loss in the period as and when incurred.

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

For the year ended 31 December 2016

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

21. Tax payables

Item	As at 31 December 2016	As at 31 December 2015
Value added tax	2,210	(20,040)
Business tax	–	86
Corporate Income Tax	1,639	10,142
Personal Income Tax	347	306
Urban maintenance and construction tax	176	124
Property tax	8	–
Education surcharge	117	89
Cultural Construction Fee	340	(619)
Stamp duty	893	893
Total	5,730	(9,019)

22. Other payables

Item	As at 31 December 2016	As at 31 December 2015
Other payables	45,191	67,077
Total	45,191	67,077

As at 31 December 2016, no foreign currency-denominated payables in other payables (2015: nil).

23. Non-current liabilities due within one year

Item	As at 31 December 2016	As at 31 December 2015
Long-term loans – repayable within 1 year	5,500	6,500
Total	5,500	6,500

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

24. Other current liabilities

Item	As at 31 December 2016	As at 31 December 2015
Deferred income of customer loyalty program (advertising incentives)	1,609	2,432
Total	1,609	2,432

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

25. Long-term loans

(1) Borrowings classification

Type	As at 31 December 2016	As at 31 December 2015
Bank loans – secured	5,500	12,000
Less: Borrowings due within one year	5,500	6,500
Total	–	5,500

On 26 June 2014, the Company's subsidiary – Beiqing Outdoor, had entered a pledged loan agreement with Bank of Communications, Beijing Dongdan Branch for financing RMB19,500 thousand to settle Beiqing Outdoor's royalty fee of advertising facilities, and which the loan is repayable within 36 months (26 June 2014 to 23 June 2017), interest bearing on 3 year's Benchmark Loan Interest Rates of Financial Institutions plus 20%, and secured by the investment properties held by Beiqing Outdoor.

(2) Maturity analysis for long-term loans

Item	As at 31 December 2016	As at 31 December 2015
1 to 2 years	–	5,500
2 to 5 years	–	–
Total	–	5,500

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

For the year ended 31 December 2016

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

26. Share Capital

Item	As at 31 December 2016	As at 31 December 2015
Ordinary shares of RMB1.00 each Registered, issued and fully paid:		
– Domestic shares	142,409	142,409
– H shares	54,901	54,901
Total	197,310	197,310

27. Capital reserves

Item	As at 1 January 2016	Increase during the year	Decrease during the year	As at 31 December 2016
Share capital premiums	936,647	–	–	936,647
Other (Note)	(172)	–	13,282	(13,454)
Total	936,475	–	13,282	923,193

Note: The decrease in capital reserves during the year was due by the transfer of fixed asset building to investment properties; and the shareholding system reform from the subsidiary of the Company.

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

28. Other comprehensive income

Item	As at 1 January 2016	Amount before income tax for the year	Less: other comprehensive income subsequently reclassified into profit or loss in current year	Less: income tax expenses	Amount after tax attributable to shareholders of the Company	Amount after tax attributable to non-controlling minority shareholders	As at 31 December 2016
1. Other comprehensive income subsequently unable to be reclassified into profit or loss	-	-	-	-	-	-	-
2. Other comprehensive income subsequently able to be reclassified into profit or loss	52	-	-	-	40	26	118
Including: Exchange differences from retranslation of financial statement	52	-	-	-	40	26	118
Total other comprehensive income	52	-	-	-	40	26	118

29. Surplus reserves

Item	As at 1 January 2016	Increase during the year	Decrease during the year	As at 31 December 2016
Statutory surplus reserves	130,931	-	-	130,931
Total	130,931	-	-	130,931

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

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

For the year ended 31 December 2016

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

30. Undistributed profits

Item	For the year ended 31 December 2016	
	Amount	Appropriation (%)
Balance as at 31 December 2015	598	
Add: Beginning retained earnings adjustment	-	
Balance as at 1 January 2016	598	
Add: Net profit attributable to shareholders of Company for Current Year	(58,838)	
Less: Provision of statutory surplus reserves	-	10
Provision of discretionary surplus reserves	-	
Provision of general risk reserves	-	
Ordinary share dividend payable	-	
Capitalized ordinary share dividend	-	
Other retained earnings items	(21,694)	
As at 31 December 2016	(36,546)	

As at 31 December 2016, the Group's undistributed profits attributable to the Shareholders of the Company included a surplus reserve of RMB0.00 thousand (2015: RMB2,345 thousand) from the subsidiaries.

31. Non-controlling interests

Minority interests attributable to minority shareholder of each subsidiary are as follows:

Name of subsidiary	Proportion of non-controlling shareholders (%)	As at 31 December 2016	As at 31 December 2015
BYD Logistics Company Limited	7.16	5,197	5,282
Beiqing CéCi Advertising (Beijing) Limited	15.31	14,385	14,341
Beiqing Long Teng Investment Management (Beijing) Co., Limited	19.16	2,081	2,253
Chongqing Youth Media Company Limited	40.00	4,932	4,908
Beiqing Community Media Technology Corporation Limited	45.63	18,695	30,516
Total		45,290	57,300

For the year ended 31 December 2016

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

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

32. Total operating revenue, operating costs

Item	For the year ended 31 December 2016	For the year ended 31 December 2015
Principal operating revenue	422,504	480,184
Other operating revenue	60,802	29,073
Total operating revenue	483,306	509,257
Principal operating costs	363,422	388,478
Other operating costs	45,898	15,742
Total operating costs	409,320	404,220
Gross Profit	73,986	105,037

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

(1) Principal operations – by business

Item	For the year ended 31 December 2016		For the year ended 31 December 2015	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Advertising	211,053	161,814	249,181	173,256
Printing	11,368	12,719	18,134	17,518
Trading of print-related materials	172,707	162,626	199,343	186,807
Distribution	2,145	3,281	4,563	4,881
Consultation service income	–	–	2,348	1,896
Game development income	25,231	22,982	6,615	4,120
Total	422,504	363,422	480,184	388,478

(2) For the year ended 31 December 2016, the sum of operating revenue from the top five customers is RMB82,001 thousand representing 16.97% of total operating revenue.

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

For the year ended 31 December 2016

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

32. Total operating revenue, operating costs (Continued)

(3) Other operating revenue mainly includes the production revenue of RMB6,784 thousand in respect of production of TV series "Billow" (《巨浪》), by the Company and (北京森林影畫文化傳媒有限公司) for production; distribution revenue of RMB1,000 thousand in respect of joint production of film "Coming out" (《出山》) with cooperation with Beijing Wenmai Tang Cultural Development Co., Ltd (北京文脈堂文化發展有限公司); distribution revenue of RMB25,000 thousand in respect of joint production of TV series "The 38th Parallel" (《生死三八線》) with cooperation with Beijing Jiaren Culture Media Co., Ltd. (北京嘉仁文化傳媒有限公司).

33. Sales Tax and Surcharges

Item	For the year ended 31 December 2016	For the year ended 31 December 2015
Business tax	247	481
Cultural Construction Fee	6,268	6,236
Urban maintenance and construction tax	562	397
Education surcharge	241	170
Local Education surcharge	161	114
Stamp duty	113	–
Property tax	463	–
Urban land utilization tax	4	–
Vehicle and vessel tax	3	–
Other	93	50
Total	8,155	7,448

Note: According to the notice of accounting standards of value added tax (《增值稅會計處理規定》) (CaiKuai[2016]No.22) announced by the Ministry of Finance of the People's Republic of China in 2016, after a comprehensive trial of changing the business tax to value added tax, item "Business Tax and Surcharges" changed to "Sales Tax and Surcharges", which calculate the consumption tax, city maintenance and construction tax, resource tax, education surcharge, property tax, urban land utilization tax, vehicle and vessel tax, stamp duty and other related tax.

34. Financial expenses

Item	For the year ended 31 December 2016	For the year ended 31 December 2015
Interest expenses – on bank loans fully repayable within 5 years	1,278	2,617
Less: Interest income	4,874	7,491
Add: Exchange loss	3	232
Add: Other expenses	150	2,355
Total	(3,443)	(2,287)

For the year ended 31 December 2016

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

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

35. Impairment loss of assets

Item	For the year ended 31 December 2016	For the year ended 31 December 2015
Provision for bad debts	48,610	18,920
Impairment loss on inventories	–	–
Provision for impairment of investments in associate	–	–
Provision for impairment of goodwill	12,000	–
Total	60,610	18,920

36. Gain/(loss) on the changes in fair value

Item	For the year ended 31 December 2016	For the year ended 31 December 2015
Gain/(loss) on changes in fair value of investment properties	21,121	(901)
Total	21,121	(901)

37. Gain/(loss) on investment

Item	For the year ended 31 December 2016	For the year ended 31 December 2015
Share of loss of associates	(17,017)	(39,752)
Gain on disposal of interests in an associate (Note 1)	40,281	–
Other investment income:		
Other investment income (Note 2)	344	32,182
Sub-total of other investment income	344	32,182
Total	23,608	(7,570)

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

37. Gain/(loss) on investment (Continued)

Note 1: On 11 April 2016, the Company entered into an equity transfer agreement with Beijing Trans-media Co., Ltd. ("Trans-media") that the Company has agreed to sell and Trans-media has agreed to purchase the Company's 36.12% equity interest in Beijing Transmedia Co., Ltd. ("BQTM") for cash consideration of RMB168,000 thousand. The aforesaid agreement was approved on the annual general meeting of the Company held on 30 June 2016. Upon the completion of the aforesaid equity transfer, the Company will cease to hold any equity interest in BQTM. Consequently, the Company has made a gain on disposal of interest in an associate for RMB40,281 thousand arising from the aforesaid equity transfer.

Note 2: Other investment income represent the cash dividend of RMB344 thousand received from the available-for-sale equity investments of Keyin Media (北京科印傳媒文化股份有限公司).

38. Non-operating income

Item	For the year ended 31 December 2016	For the year ended 31 December 2015
Government grants (Note)	3,139	1,024
Donation received	-	-
Gain on disposal of fixed assets	136	5
Compensation benefit	158	3
Others	50	78
Total	3,483	1,110

Note: Government grants represented unconditional grant from the PRC government, which were determined at the sole discretion of the relevant PRC government authorities, including the grant of RMB3,000 thousand relating to the project of the Company's subsidiary Beijing Community Media.

39. Non-operating expenses

Item	For the year ended 31 December 2016	For the year ended 31 December 2015
Loss on disposal of fixed assets	15	248
Including: Loss on disposal of fixed assets	15	248
Public donations expenses	-	-
Stock loss	-	-
Compensation and late payment charges	8	87
Others	20	25
Total	43	360

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

40. Income tax expenses

(1) Income tax expenses

Item	For the year ended 31 December 2016	For the year ended 31 December 2015
Current income tax expenses	424	8,413
Deferred income tax expenses	526	(11,670)
Total	950	(3,257)

(2) Current tax expenses

Item	For the year ended 31 December 2016	For the year ended 31 December 2015
Current income tax – PRC	1,673	8,433
Under-provision in prior years – PRC	(1,249)	(20)
Total	424	8,413

No provisions for Hong Kong profits tax of the Group during the year, as there was no profit generated from Hong Kong.

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

For the year ended 31 December 2016

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

40. Income tax expenses (Continued)

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

Item	For the year ended 31 December 2016	For the year ended 31 December 2015
Total profit	(69,924)	(57,735)
Income tax calculated at the applicable tax rate of 25%	(17,481)	(14,434)
Tax effect of non-taxable income	–	–
Tax effect of non-deductible expenses	3,701	1,997
Tax effect of special tax exemptions	–	–
Tax effect of the subsidiary's losses in current year	16,049	23,447
Utilisation of previously unrecognized tax losses	(70)	(14,247)
Underprovision in prior years	(1,249)	(20)
Income tax expense	950	(3,257)

Note: The Company is an enterprise mainly engaged in providing newspaper advertising services in PRC. In accordance with the Beijing Municipal Finance Bureau, Beijing Municipal State Administration of Taxation, the Beijing Local Taxation Bureau, Beijing Municipal Committee of the Chinese Communist Party Propaganda Department forwarded Ministry of Finance, State Administration of Taxation, the Central Propaganda Department on the continued implementation of the cultural system in managing cultural institutions transformed into enterprises several tax policy notice (Jing CaiShui[2014] No.2907), the Company is exempted from EIT from 1 January 2014 to 31 December 2018.

41. Auditors' remuneration

The auditors' remuneration for the year was RMB1,800 thousand (2015: RMB1,800 thousand).

For the year ended 31 December 2016

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

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

42. Emoluments of Directors, Supervisors and Employees

(1) Emoluments of Directors and Supervisors

- 1) The amount paid or payable as emoluments to the 25 (2015: 22) directors and supervisors are as follows:

For the year ended at 31 December 2016:

Name	Fees	Salary	Other benefits (i)	Employer's contribution to retirement benefit scheme	total
Directors					
Zhang Yanping	-	531	62	47	640
Yu Haibo	-	531	62	47	640
Li Shiheng	-	-	-	-	-
He Xiaona	-	380	62	47	489
Peng Liang	-	355	62	47	464
Duan Gang	-	380	62	47	489
Shange Da	-	355	62	47	464
Wang Lin	-	-	-	-	-
Wu Peihua	-	-	-	-	-
Liu Han	-	-	-	-	-
Li Xiaobing	-	-	-	-	-
Xu Xun	40	-	-	-	40
Liu Hong	39	-	-	-	39
Song Jianwu	50	-	-	-	50
Cui Baoguo	50	-	-	-	50
Cui Enqing	100	-	-	-	100
Wu Tak Lung	100	-	-	-	100
Chen Ji	100	-	-	-	100
Zhou Bingquan	50	-	-	-	50
Wu Changqi	50	-	-	-	50
Subtotal	579	2,532	372	282	3,765
Supervisors					
Yan Mengmeng	-	213	57	44	314
Tian Kewu	-	-	-	-	-
Zhang Chuanshui	20	-	-	-	20
Zhao Meng	20	-	-	-	20
Li Xin	-	269	47	36	352
Subtotal	40	482	104	80	706
Total	619	3,014	476	362	4,471

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

- (ii) Mr. Duan Gang was appointed as an executive Director with effect from 19 June 2015 at the annual general meeting of the Company and has resigned from his position as an executive Director with effect from 7 December 2015.

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

For the year ended 31 December 2016

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

42. Emoluments of Directors, Supervisors and Employees (Continued)

(1) Emoluments of Directors and Supervisors (Continued)

- 1) The amount paid or payable as emoluments to the 25 (2015: 22) directors and supervisors are as follows: (Continued)

For the year ended at 31 December 2015:

Name	Fees	Salary	Other benefits (i)	Employer's contribution to retirement benefit scheme	total
Directors					
Zhang Yanping	-	531	53	44	628
Yu Haibo	-	531	53	44	628
Li Shiheng	-	-	-	-	-
He Xiaona	-	380	53	44	477
Wang Lin	-	-	-	-	-
Wu Peihua	-	-	-	-	-
Liu Han	-	-	-	-	-
Li Yigeng	-	-	-	-	-
Li Xiaobing	-	-	-	-	-
Xu Xun	20	-	-	-	20
Song Jianwu	100	-	-	-	100
Cui Baoguo	100	-	-	-	100
Cui Enqing	100	-	-	-	100
Wu Tak Lung	100	-	-	-	100
Chen Ji	100	-	-	-	100
Duan Gang(ii)	-	343	53	44	440
Subtotal	520	1,785	212	176	2,693
Supervisors					
Yan Mengmeng	-	222	52	44	318
Ma Chundan	-	-	-	-	-
Tian Kewu	-	-	-	-	-
Zhang Chuanshui	20	-	-	-	20
Zhao Meng	20	-	-	-	20
Li Xin	-	204	38	31	273
Subtotal	40	426	90	75	631
Total	560	2,211	302	251	3,324

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

(ii) Mr. Duan Gang was appointed as an executive Director with effect from 19 June 2015 at the annual general meeting of the Company and has resigned from his position as an executive Director with effect from 7 December 2015.

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

42. Emoluments of Directors, Supervisors and Employees (Continued)

(2) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2015: four) were directors. The emoluments of the remaining one individual (2015: one) were as follows:

Item	For the year ended 31 December 2016	For the year ended 31 December 2015
Basic salaries and allowance	442	433
Employer's contributions to retirement benefit scheme	47	44
Total	489	477

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

Item	For the year ended 31 December 2016	For the year ended 31 December 2015
HKD0-HKD1,000,000 (equivalent to RMB894,500)	1	1
Total	1	1

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

(3) Emoluments of Senior Management

The remunerations of Senior Management fall within the following band:

Item	For the year ended 31 December 2016	For the year ended 31 December 2015
HKD0-HKD500,000 (equivalent approximately to RMB447,250)	–	2
HKD500,001-HKD1,000,000 (equivalent approximately RMB447,250 to RMB894,500)	2	4
Total	2	6

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

43. Retirement benefit scheme – defined contribution plans

All the full time employees of the Group are covered by a state-managed retirement benefit scheme under which the employees are entitled to an annual pension equal to their basic salaries upon their retirements. The PRC government is responsible for the pension liability to these retired employees. The Group was required to make defined contributions to the pension scheme at the rate of 20% for the year ended 31 December 2016 (2015: 20%) of the employees' basic salaries, which is subject to certain cap as stipulated by relevant local authority. Contributions to this retirement scheme are charged to the consolidated statement of comprehensive income as and when incurred. Under this scheme, the Group has no obligation for postretirement benefit beyond the annual contributions.

For the year ended 31 December 2016, contributions from retirement benefit scheme recognized in income statement was RMB8,711 thousand (2015: RMB9,424 thousand)

44. Dividends

- (1) The directors didn't propose any final dividend for 2016 and is subject to shareholders' approval in the forthcoming general meeting.
- (2) For the period, the Company recognized the profits were distributed as dividends as follows:

Item	For the year ended 31 December 2016	For the year ended 31 December 2015
Final dividend of RMB0.00 per share for the year ended 31 December 2015 (2015: 2014 final dividend of RMB0.10) (Note)	–	19,731
Total	–	19,731

Note: The Company had paid final dividend of 2014 to the shareholders of the Company before 31 August 2015.

H share individual shareholders on the register of shareholders on 29 June 2015 have been withheld 10% individual income tax according to the requirements of the State Taxation Administration upon receiving their final dividends.

45. Distributable reserve

As at 31 December 2016, the Company's accumulated loss was RMB68,699 thousand (undistributed profits available for distribution as at 31 December 2015: RMB34,991 thousand).

For the year ended 31 December 2016

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

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

46. Other comprehensive income

Item	For the year ended 31 December 2016	For the year ended 31 December 2015
Other comprehensive income to be reclassified to gains or loss:		
Exchange differences from retranslation of financial statements	40	35
Subtotal	40	35
Total	40	35

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

Item	For the year ended 31 December 2016	For the year ended 31 December 2015
Net loss	(70,874)	(54,478)
Add: Impairment loss of assets	60,610	18,920
Fixed assets depreciation	3,630	3,533
Amortization of intangible assets	1,535	1,458
Amortization of long-term prepaid expenses	1,999	2,194
(Loss)/gain on disposal of fixed assets, intangible assets and other long-term assets	(121)	243
(Gain)/loss on the changes in fair value	(21,121)	901
Financial expenses	(6,460)	(6,100)
(Loss)/gain on investment	(23,608)	7,570
Decrease/(increase) in deferred income tax assets	526	(11,153)
Decrease in deferred income tax liabilities	-	(516)
Decrease of inventories	11,280	18,805
(Increase)/decrease in operating accounts receivable	(227,162)	55,231
Increase/(decrease) in operating accounts payable	138,474	(59,312)
Net cash flow used in operating activities	(131,292)	(22,704)

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

For the year ended 31 December 2016

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

48. Changes in cash and cash equivalents

Item	As at 31 December 2016	As at 31 December 2015
Bank balances and cash at the end of year	132,953	234,759
Less: Bank balances and cash at beginning of year	234,759	228,526
Cash equivalents at the end of year	-	-
Less: cash equivalents at beginning of year	-	-
Net change in cash and cash equivalents	(101,806)	6,233

49. Cash and cash equivalents

Item	As at 31 December 2016	As at 31 December 2015
Bank balances and cash	214,527	349,953
Less: Short-term bank deposits with maturity more than 3 months	73,615	111,683
Less: Restricted bank deposits	7,959	3,511
	132,953	234,759
Representing:		
Cash in hand	417	259
Deposits held at call with banks	132,536	234,500
Cash and cash equivalents at the end of the year	132,953	234,759

50. Major non-cash transactions

During the year, certain advertising customers settled the obligation payable to the Group of RMB8,212 thousand through transferring a property at fair value of RMB560 thousand and other inventory at fair value of RMB7,652 thousand.

IX. CHANGES IN CONSOLIDATED SCOPE

1. Business combination

For the current year, the Group had no change in consolidated scope as a result of business combination.

2. Disposal of subsidiaries

For the current year, the Group had no change in consolidated scope as a result of disposal of subsidiaries.

3. Changes in consolidated scope for other reasons

For the current year, the Group had no change in consolidated scope as a result of other reasons.

For the year ended 31 December 2016

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

X. DISCLOSURE OF INTERESTS IN OTHER ENTITIES**1. Interests in subsidiaries****(1) Constitutions for the Group**

Name of subsidiary	Primary operation place	Registered place	Business nature	Registered capital	Shareholding percentage (%)		Acquisition methods
					direct	indirect	
BYD Logistics Company Limited	Beijing, PRC	Beijing, PRC	Logistics and warehousing	30,000	92.84	-	Establishment
Beiqing CèCi Advertising (Beijing) Limited	Beijing, PRC	Beijing, PRC	Advertising Services	80,000	84.69	-	Business combination
Beijing Beiqing Outdoor Advertisement Co., Ltd. (formerly Beijing Today Sunshine Advertising Co., Ltd.)	Beijing, PRC	Beijing, PRC	Advertising Services	10,000	100.00	-	Business combination involving entities under common control
Beiqing Network Culture Communication Co., Ltd. (formerly Legal Evening Post Media Company Limited)	Beijing, PRC	Beijing, PRC	Advertising Services	51,000	100.00	-	Establishment
Beiqing Long Teng Investment Management (Beijing) Co., Limited (Note 1)	Beijing, PRC	Beijing, PRC	Investment management	50,000	80.84	-	Establishment
Chongqing Youth Media Company Limited	Chongqing, PRC	Chongqing, PRC	Newspaper distribution, advertising services	30,000	60.00	-	Establishment
Beiqing Qingyou Information Technology Co., Ltd.	Beijing, PRC	Beijing, PRC	Game development	30,000	100.00	-	Establishment
Beiqing Community Media Technology (Beijing) Co. Ltd. (Note 2)	Beijing, PRC	Beijing, PRC	Advertising Services	27,600	54.37	-	Establishment
Chong Qing Youth (America) LLC	California, United States	California, United States	Travel Rental	8,800	-	100.00	Establishment
Chongqing PuLantian Western Food Co.	Chongqing, PRC	Chongqing, PRC	Catering Services	500	-	100.00	Establishment

Note 1: Beiqing 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 LontengRuixiang 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 LongtengRuixiang 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%.

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

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X. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) Constitutions for the Group (Continued)

Note 1: (Continued)

The second phase of capital injection shall be paid before 12 November 2015. However no injection was received from LongtengRuixiang as of 31 December 2016.

Note 2: On 9 March 2016, Beiqing Community Media completed the shareholding system reform and was renamed as "Beiqing Community Media Technology (Beijing) Co., Ltd"

(2) Significant not wholly owned subsidiaries

Name of subsidiary	Percentage of minority interest (%)	Gains or loss for the year attributable to minority interest	Dividends declared to the minority interest for the year	Balance of minority interest as at 31 December 2016
BYD Logistics Company Limited	7.16	(85)	-	5,197
Beiqing CéCi Advertising (Beijing) Limited	15.31	43	-	14,385
Beiqing Long Teng Investment Management (Beijing) Co., Limited	19.16	(172)	-	2,081
Chongqing Youth Media Company Limited	40.00	(2)	-	4,932
Beiqing Community Media Technology (Beijing) Co. Ltd.	45.63	(11,820)	-	18,695

(3) Significant financial information for significant not wholly-owned subsidiaries

Name of subsidiary	As at 31 December 2016						As at 31 December 2015					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
BYD Logistics Company Limited	197,943	4,237	202,180	129,578	-	129,578	188,617	4,469	193,086	119,297	-	119,297
Beiqing CéCi Advertising (Beijing) Limited	55,608	145	55,753	9,188	-	9,188	52,078	109	52,187	5,904	-	5,904
Beiqing Long Teng Investment Management (Beijing) Co., Limited	9,954	5,009	14,963	8,067	-	8,067	10,591	5,206	15,797	8,002	-	8,002
Chongqing Youth Media Company Limited	8,044	11,557	19,601	7,270	-	7,270	7,710	11,273	18,983	6,713	-	6,713
Beiqing Community Media Technology (Beijing) Co. Ltd.	51,525	17,487	69,012	28,040	-	28,040	86,397	15,121	101,518	34,641	-	34,641

For the year ended 31 December 2016

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

X. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (Continued)**1. Interests in subsidiaries (Continued)****(3) Significant financial information for significant not wholly-owned subsidiaries (Continued)**

Name of subsidiary	For the year ended 31 December 2016				For the year ended 31 December 2015			
	Operating revenue	Net comprehensive profit	Total income	Cash flow	Operating revenue	Net comprehensive profit	Total income	Cash flow
				from operating activities				from operating activities
BYD Logistics Company Limited	228,786	(1,187)	(1,187)	(9,624)	275,374	(2,776)	(2,776)	4,910
Beijing CèCi Advertising (Beijing) Limited	26,921	281	281	(2,286)	35,282	3,947	3,947	(8,559)
Beijing Long Teng Investment Management (Beijing) Co., Limited	-	(899)	(899)	(255)	2,348	(6,125)	(6,125)	(3,444)
Chongqing Youth Media Company Limited	10,322	(5)	61	(1,246)	13,814	(3,304)	(3,252)	(1,675)
Beijing Community Media Technology (Beijing) Co., Ltd.	54,693	(25,905)	(25,905)	(33,334)	38,709	(20,737)	(20,737)	(35,858)

2. Changes in share of shareholders' equity of the subsidiary and still control over the subsidiary**(1) Changes in share of shareholders' equity of the subsidiary**

Nil.

(2) Effects of changes in shareholders' equity share of owners of subsidiary over the equity

Nil.

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

For the year ended 31 December 2016

X. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (Continued)

3. Interests in associates
(1) Associates

Name of associates	Registered place	Primary operation place	Business nature	Shareholding (%)		Voting percentage (%)	Business Structure
				Direct	Indirect		
Beijing Leisure Trend Advertising Company Limited	PRC	Beijing	Design, production, agency advertising	49.00	-	49.00	Limited liability Company
Beijing Beiqing Shengda Automobile Service Company Limited	Beijing	Beijing	Car decoration services, market research, marketing planning	20.00	-	20.00	Limited liability Company
Beijing Beisheng United Insurance Agency Co. Limited	Beijing	Beijing	Car insurance agency services	20.00	-	20.00	Limited liability Company
BY Time Consulting Co. Ltd	Beijing	Beijing	Economic information consulting, organizing cultural activities	30.00	-	30.00	Limited liability Company
Beijing Beiqing Top Advertising Limited	Beijing	Beijing	Design, production, agency advertising	41.60	-	41.60	Limited liability Company
Hebei Jujingcal E-commerce Company Limited	Shijiazhuang	Beijing	Primary agricultural products and other goods sale	44.50	-	44.50	Limited liability Company
Beijing Lingshi Technology Limited	Beijing	Beijing	Primary agricultural products and other goods sale	20.00	-	20.00	Limited liability Company
Chongqing Soyang Internet Technology Co., Ltd	Chongqing	Chongqing	Network E-Commerce	35.00	-	35.00	Limited liability Company
Beijing Shangyou Network Technology Co., Ltd	Beijing	Beijing	Design, production, agency advertising	30.00	-	30.00	Limited liability Company
Beijing International Advertising Media Group Co., Ltd	Beijing	Beijing	Design, production, agency advertising	20.00	-	20.00	Limited liability Company

The accounting method for associates adopted by the Group is equity method.

For the year ended 31 December 2016

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

X. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (Continued)**3. Interests in associates (Continued)****(2) Financial information for associates**

Item	As as 31 Decembe 2016/ for the year ended 31 December 2016	As as 31 December 2015/ for the year ended 31 December 2015
Associates:		
Total book value in investment	37,756	2,645
Aggregated amounts per shareholding percentage for the followings:		
– net profits	(9,880)	(14,791)
– other comprehensive income	–	–
– total comprehensive income	(9,880)	(14,791)

(3) Excess losses from associates

Name of associates	Accumulated unrecognized losses in the previous years on 31 December 2015	Unrecognized loss for the year (or net profits shared in the year)	Accumulated unrecognized losses on 31 December 2016
Beijing Leisure Trend Adversting Company Limited	(3,701)	(152)	(3,853)
Beijing Beiqing Shengda Automobile Service Company Limited	(456)	(33)	(489)
Beijing Beiqing Top Advertising Limited	(4,757)	(6,317)	(11,074)
Hebei Jujingcai E-commerce Company Limited	(335)	(86)	(421)
Beijing Lingshi Technology Limited	–	(1,863)	(1,863)
Total	(9,249)	(8,451)	(17,700)

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

For the year ended 31 December 2016

X. DISCLOSURE OF INTERESTS IN OTHER ENTITIES *(Continued)*

3. Interests in associates *(Continued)*

(4) Unrecognized commitments in relation to associate

Nil.

(5) Contingent Liabilities in relation to associate

Nil.

XI. DISCLOSURE OF FAIR VALUES

1. Value of assets and liabilities measured at fair value and fair value measure level

Item	Fair value as at 31 December 2016			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
1. Fair value measurement on recurred basis				
(1) Investment property				
1. Leased building	104,656	–	–	104,656
Total assets at fair value on recurred basis	104,656	–	–	104,656

The Group's fair value of investment property as at 31 December 2016 is achieved by reference to the recent market price of a similar property in the same location and condition.

XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS**1. Relationships of related parties**

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

Relationship	Name of related party
Parent company and ultimate controlling company	BYDA
Subsidiary of BYDA	Beijing International Investment Consultancy (Beijing) Co. Limited
Subsidiary of BYDA	Beijing Beijing 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	Beijing Education Media Co. Limited
Subsidiary of BYDA	Beijing Youth Weekend Media Co. Limited
Subsidiary of BYDA	Beijing Beijing Culture and Arts Company
Subsidiary of BYDA	Beijing China Open Promotion Co., Ltd.
Subsidiary of BYDA	Beijing Youth Daily Network Communication Technology Co., Ltd.
Subsidiary of BYDA	Beijing Evening Education Consultancy Co., Ltd.
Associate of the Company	Beijing Beijing Top Advertising Limited
Associate of the Company	Beijing Leisure Trend Advertising Company Limited
Associate of the Company	Beijing Beisheng United Insurance Agency Co., Limited
Associate of the Company	Beijing Beijing Shengda Automobile Service Company Limited
Associate of the Company	Hebei Jujingcai E-commerce Company Limited
Associate of the Company	BY Time Consulting Co., Ltd.
Associate of the Company	Beijing Lingshi Technology Limited
Associate of the Company	Chongqing Sou Yang Internet Technology Company Limited
Associate of the Company	Beijing Shangyou Network Technology Co., Ltd.
Associate of the Company	Beijing Shangyou International Travel Agency Limited
Associate of the Company	Beijing International Advertising Media Group Co., Ltd.
Other related parties	Shanghai China Business News Company Limited (Note 1)
Other related parties	Chongqing Youth Industrial Co., Ltd (Note 2)
Other related parties	Chongqing Youth Daily
Other related parties	Korea Central M&B Publishing Group
Other related parties	XiaoHongMao Corporation
Other related parties	Beijing XiaoHongMao Logistics Co. Ltd

Note 1: Shanghai China Business News Company 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)

For the year ended 31 December 2016

XII. 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	Registration place	Business nature	Legal representative	Code of organization
BYDA	State-owned	Beijing	Media and publishing	Zhang Yanping	400755568

BYDA, the company's parent and ultimate controlling company, is a state-owned enterprise established in PRC and mainly engaged in publishing and distribution of "Beijing Youth Daily", "Beijing TeenagerDaily", "Middle School Newsletter News", "Beijing Today" and so on.

(2) Parent company's registered capital and its changes

Parent company	As at 1 January 2016	Increasing during the period	decreasing during the period	As at 31 December 2016
BYDA	22,439	-	-	22,439

(3) Changes in ownership and equity held by the parent company

Parent company	Shareholding amounts		Shareholding percentage (%)	
	As at 31 December 2016	As at 1 January 2016	As at 31 December 2016	As at 1 January 2016
BYDA	124,840	124,840	63.27	63.27

For the year ended 31 December 2016

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

XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)**3. Related party transactions****(1) Purchase of goods/receipt of services**

Related Parties	Pricing policy of related party transaction	For the year ended 31 December 2016	For the year ended 31 December 2015
BYDA (Note)	Contracted price	19,324	19,326
Subsidiaries of BYDA	Contracted price	69	1,553
Associated of the Company	Contracted price	–	208
Other related parties	Contracted price	3,655	2,395
Total		23,048	23,482

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

(2) Sale of goods/services rendered

Related Parties	Pricing policy of related party transaction	For the year ended 31 December 2016	For the year ended 31 December 2015
BYDA	Contracted price	201	988
Subsidiaries of BYDA	Contracted price	16,793	22,343
Associated of the Company	Contracted price	2,133	8,431
Other related parties	Contracted price	3,463	7,357
Total		22,590	39,119

(3) Leasing – The Group as lessor

Lessee	Nature of assets leased	Date of commencement	Date of Termination	Basis for rental income	Rental income recognized for the year
BYDA	Building	2016-1-1	2018-12-31	Contracted price	5,023
Beijing Shangyou International Travel Agency Limited	Courier Station	2016-1-23	2017-1-22	Contracted price	562
Beijing Shangyou International Travel Agency Limited	Courier Station	2016-4-1	2017-3-31	Contracted price	811

XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

3. Related party transactions (Continued)

(4) Leasing – The Group as Lessee

Lessor	Nature of assets leased	Date of commencement	Date of Termination	Basis for rental expenses	Rental expenses recognized for the year
BYDA	Building	2016-1-1	2018-12-31	Contracted price	1,782
BYDA	Building	2016-1-1	2017-9-3	Contracted price	337
Chongqing Youth Daily	Building	2016-4-22	2019-4-21	Contracted price	223

(5) Entrusted Loan

During the year ended 31 December 2016, BYD Logistic company Limited, a subsidiary of the Company, directly provided an entrusted loan in aggregate of RMB4,000 thousand to Beijing Beijing Top Advertising Limited, an associate of the Company at a fixed interest rates of 4.35% per annum. The term of loan commenced on 4 February 2016 and ends on 4 February 2017.

The Company had provided an entrusted loan in aggregate of RMB3,000 thousand to Chongqing Youth Industrial Co., Ltd. (one of the shareholders of Chongqing Media) for a term of three years and carry fixed interest rates of 6.15% per annum. The term of loan commenced from 29 October 2013 to 29 October 2016 and the loan had been fully repaid on 7 November 2016.

(6) Other current assets

During the year ended 30 June 2016, BYD Logistic Company Limited (i.e. BYD Logistics), a subsidiary of the Company, provided three batches of short-term loans to Beijing Beijing Top Advertising Limited (i.e. Beijing Top), an associate of the Company, amounts of which were RMB10,000 thousand, RMB23,000 thousand and RMB3,000 thousand respectively. Beijing Top repaid the first batch in full of RMB1,000 thousand to BYD Logistics on 10 June 2016 and paid interest of RMB500 thousand at an interest rate of 5.31%. BYD Logistics lent the second batch of RMB23,000 thousand to Beijing Top on 21 March 2016 at zero interest rate with maturity date of 21 April 2016. Beijing Top repaid such amount on 21 April 2016. BYD Logistics lent the third batch of RMB3,000 thousand to Beijing Top on 11 March 2016 with maturity date of 11 March 2017 at an interest rate of 4.35%. As at 31 December 2016, the outstanding amount of the loan was RMB3,000 thousand.

(7) Remuneration for key management personnel

Item	For the year ended 31 December 2016	For the year ended 31 December 2015
Remuneration for key management personnel	5,399	5,159

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

XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)**3. Related party transactions (Continued)****(8) Financial guarantee from related parties**

As at 31 December 2016, BYDA provided guarantee to The Bank of Beijing for bank facilities granted to BYD Logistics with a maximum amount of RMB40,000 thousand. The guarantee period commenced from 8 November 2016 to 2 May 2018. As at 31 December 2016, the utilized bank credit is RMB36,988 thousand.

As at 31 December 2016, BYDA provided guarantee to The Ping An Bank for bank facilities granted to BYD Logistics with a maximum amount of RMB40,000 thousand. The guarantee period commenced from 28 June 2016 to 27 June 2017. As at 31 December 2016, the utilized bank credit is RMB14,200 thousand.

(9) Connected transactions

Save as the connected transactions and continuing connected transactions disclosed in the chairman's statement of the 2016 annual report of the Company, there is no related party transaction or continuing related party transaction included in this note that constitutes a disclosable connected transaction or continuing connected transaction under the Listing Rules. The Company has complied with the Chapter 14A of the Listing Rules in respect of the disclosure of its connected transactions and continuing connected transactions.

For the year ended 31 December 2016, the following continuing related party transactions of the Company constitute continuing connected transactions under the Chapter 14A of the Listing Rules.

For the year ended 31 December 2016						
Sequence number	Name of transaction	Name of connected person	Date of announcement	Nature of transaction	Annual Cap	Amount for the year
1	Mutual Property Tenancy Agreement	BYDA	2015-10-22	Rental income	5,381	5,023
		BYDA		Rental expense	1,909	1,782
2	Advertising Business Agreement	BYDA	2015-10-22	Payment of exclusive advertising right	55,000	18,622
3	Printing Framework Agreement	BYDA & Subsidiaries	2015-10-22	Payment of printing services	40,000	16,504

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

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XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

3. Related party transactions (Continued)
(9) Connected transactions (Continued)

Sequence number	Name of transaction	Name of connected person	For the year ended 31 December 2016			Amount for the year
			Date of announcement	Nature of transaction	Annual Cap	
4	Distribution Services Framework Agreement	BYDA & Subsidiaries	2015-10-22	Payment for distribution services of direct mail and wrap – around advertisement	3,000	640
5	Advertising Agency Framework Agreement	BYDA & Subsidiaries	2015-10-22	Advertising placement income	50,000	491
		BYDA & Subsidiaries		Advertising placement expense	50,000	550

4. The balances of related parties
(1) Accounts receivable due from related parties

Related parties	As at 31 December 2016		As at 31 December 2015	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
BYDA	–	–	30	–
Associates of the Company	47,098	31,384	45,456	–
Subsidiaries of BYDA	116,610	–	108,407	–
Other related parties	1,139	–	3,362	–
Total	164,847	31,384	157,255	–

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

XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)**4. The balances of related parties (Continued)****(2) Other receivables due from related parties**

Related parties	As at 31 December 2016		As at 31 December 2015	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
BYDA	–	–	–	–
Associates of the Company	39	–	106,194	–
Subsidiaries of BYDA	6,347	–	4,503	–
Othe related parties	1,284	–	–	–
Total	7,670	–	110,697	–

(3) Accounts payable due to related parties

Related parties	As at 31 December 2016	As at 31 December 2015
BYDA	470	567
Subsidiaries of BYDA	77	763
Othe related parties	1,362	847
Total	1,909	2,177

(4) Other payables due to related parties

Related parties	As at 31 December 2016	As at 31 December 2015
BYDA	3,307	8,473
Subsidiaries of BYDA	486	486
Othe related parties	1,398	589
Total	5,191	9,548

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

For the year ended 31 December 2016

XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

4. The balances of related parties (Continued)

(5) Receipts in advance due from related parties

	As at 31 December 2016	As at 31 December 2015
Related parties		
Subsidiaries of BYDA	180	–
Associates of the Company	2,041	–
Total	2,221	–

(6) Prepayment due to related parties

	As at 31 December 2016	As at 31 December 2015
Related parties		
BYDA	10,703	5,250
Subsidiaries of BYDA	20	761
Total	10,723	6,011

(7) Entrusted loan

	As at 31 December 2016	As at 31 December 2015
Related parties		
Associates of the Company	4,000	–
Othe related parties	–	3,000
Total	4,000	3,000

The Company provided entrusted loan via bank in aggregate of RMB3,000thousand to Chongqing Youth Industrial Co., Ltd. for a term of three years andat a fixed interest rate of 6.15% per annum. The term of loan commenced on29 October 2013 and ends on 29 October 2016 and the loan had been fully repaid on 7 November 2016.

During the year ended 31 December 2016, BYD Logistic Company Limited, a subsidiary of the Company, directly providedan entrusted loan of RMB4,000 thousand to Beijing Beiqing Top AdvertisingLimited, an associate of the Company at a fixed interest rate of 4.35% perannum. The term of loan commenced on 4 February 2016 and ends on 4February 2017.

XIII. COMMITMENTS

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

1. The Group as lessee

As at 31 December 2016, the Group had contracted for the minimum lease payments under non-cancelable operating leases during following periods:

Period	As at 31 December 2016	As at 31 December 2015
Within one year	14,785	9,763
1-2 years	5,443	17,404
2-3 years	460	5,485
After 3 years	–	–
Total	20,688	32,652

2. The Group as Lessor

As at 31 December 2016, the Group had contracted with tenants for the following future minimum lease payments:

Period	As at 31 December 2016	As at 31 December 2015
Within one year	8,216	9,723
1-2 years	8,136	9,039
2-3 years	457	8,209
After 3 years	–	457
Total	16,809	27,428

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XIII. COMMITMENTS (Continued)

3. Use rights of advertising boards

As at 31 December 2016, the Group made the following minimum lease payments for the following periods for being granted the use rights of outdoor advertising facilities:

Period	As at 31 December 2016	As at 31 December 2015
Within one year	42,834	43,103
1-2 years	10,914	25,620
2-3 years	1,154	6,947
Total	54,902	75,670

XIV. POST BALANCE SHEET EVENTS

The Group has no significant post-balance sheet events to be disclosed.

XV. SEGMENT INFORMATION

The price of intra-segment transactions is determined with reference to market rates. The segments are:

Business segments	Principal activities
Advertising:	Sales of advertising spaces and outdoor advertising of the media or activities operated by BYDA, Chongqing Youth Daily, Beijing Community Newspaper and CÉCi magazine.
Printing:	Provision of printing services
Trading of print-related materials:	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.
Technical services:	Provision of network technical support and maintenance service for online gaming.

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

XV. SEGMENT INFORMATION (Continued)**1. For the year ended 31 December 2016**

Item	Advertising	Printing	Trading of print-related material	Distribution	Network technical services	Unallocated amount	Elimination	Total
Total operating revenue	244,610	30,886	197,815	2,145	25,231	62,240	(79,621)	483,306
Including: Revenue from external transactions	211,053	11,368	172,707	2,145	25,231	60,802	-	483,306
Revenue from intra-segment transactions	33,557	19,518	25,108	-	-	1,438	(79,621)	-
Total operating costs	360,108	34,084	199,119	4,414	24,759	46,536	(67,621)	601,399
Impact due to changes in fair value	-	-	-	-	-	21,121	-	21,121
Investment income	-	-	-	-	-	23,608	-	23,608
Operating profit(loss)	(115,498)	(3,198)	(1,304)	(2,269)	472	60,433	(12,000)	(73,364)
Non-operating income and expenses, net	3,287	21	131	6	4	(9)	-	3,440
Total profit	(112,211)	(3,177)	(1,173)	(2,263)	476	60,424	(12,000)	(69,924)
Income tax expenses	3,262	(359)	(2,208)	-	131	124	-	950
Net profit	(115,473)	(2,818)	1,035	(2,263)	345	60,300	(12,000)	(70,874)
Total assets	980,865	26,208	160,995	1,514	13,872	633,046	(315,665)	1,500,835
Total liabilities	161,765	18,115	111,301	1,817	3,072	20,185	(75,669)	240,586
Supplementary information	-	-	-	-	-	-	-	-
Depreciation and amortization expenses	5,661	109	670	99	528	97	-	7,164
Capital expenditure	2,022	9	55	12	259	-	-	2,357
Impairment of assets	44,231	559	3,435	5	-	380	12,000	60,610
Non-cash expenses excluding depreciation and impairment of assets	-	-	-	-	-	-	-	-

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

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XV. SEGMENT INFORMATION (Continued)

2. For the year ended 31 December 2015

Item	Advertising	Printing	Trading of print-related material	Distribution	Network technical services	Unallocated amount	Elimination	Total
Total operating revenue	281,903	44,749	230,538	4,563	6,885	32,737	(92,118)	509,257
Including: Revenue from								
external transactions	248,911	18,134	199,343	4,563	6,885	31,421	-	509,257
Revenue from								
intra-segment								
transactions	32,992	26,615	31,195	-	-	1,316	(92,118)	-
Total operating costs	334,937	46,686	231,178	7,773	6,348	24,467	(92,118)	559,271
Impact due to changes								
in fair value	-	-	-	-	-	(901)	-	(901)
Investment income	-	-	-	-	-	(7,570)	-	(7,570)
Operating profit(loss)	(53,034)	(1,937)	(640)	(3,210)	537	(201)	-	(58,485)
Non-operating income								
and expenses, net	876	(13)	(67)	(46)	-	-	-	750
Total profit	(52,158)	(1,950)	(707)	(3,256)	537	(201)	-	(57,735)
Income tax expenses	(13,463)	389	2,004	-	144	7,669	-	(3,257)
Net profit	(38,695)	(2,339)	(2,711)	(3,256)	393	(7,870)	-	(54,478)
Total assets	1,010,905	27,602	145,233	1,968	7,242	670,482	(309,011)	1,554,421
Total liabilities	138,505	18,643	97,874	2,685	426	54,658	(81,015)	231,776
Supplementary information								
Depreciation and								
amortization expenses	5,648	133	684	400	205	118	-	7,188
Capital expenditure	3,694	22	113	16	1,352	11	-	5,208
Impairment of assets	12,439	421	2,170	-	-	3,890	-	18,920
Non-cash expenses excluding								
depreciation and impairment								
of assets	-	-	-	-	-	-	-	-

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

XVI. OTHER SIGNIFICANT EVENTS

1. On 3 March 2016, Beijing Media disposed 36.12% equity interest in BQTM on the Beijing Equity Exchange, with the listing price of RMB168.00 million. Beijing Top Advertising Co., Ltd. (北京终端廣告有限公司) (“Trans-media”) won the bid, and on 11 April 2016, entered into a conditional agreement with the Company. Upon approval at the 2015 general meeting of Beijing Media held on 30 June 2016, at which the resolution related to the disposal of the entire 36.12% equity interest in BQTM held by the Company was approved. On 31 December 2016, Trans-media paid the aforesaid equity transfer payment by way of instalment payment, and paid 51% of the equity transfer money amounted to RMB85,680 thousand.

As at 31 December 2016, other receivables includes a loan that BQTM owing the Company amounted to RMB107,080 thousand million. Pursuant to the repayment plan and the guarantee agreement entered into between the Company, BQTM and Yang Jie, the actual controller of BQTM: Yang Jie shall provide general guarantee. Until 31 March 2017, BQTM did not repay its loan.

On 29 March 2017, Yang Jie, the actual controller of BQTM entered into guarantee, pursuant to which it provided joint-liability guarantee in respect of the amount which BQTM owed the Company in the amount of RMB107,080 thousand, for a period of six months starting from 25 March 2017.

On 29 March 2017, Centrin Data Systems Co., Ltd. (“Centrin Data Systems”) provided joint-liability guarantee in respect of the amount which BQTM owed the Company in the amount of RMB107,080 thousand, for a period of six months starting from 25 March 2017.

According to afore-said joint-liability guarantees provided by Yang Jie and Centrin Data System and the information collected related to the two guarantors, the Company believes that the recoverable amount of the BQTM loan shall not be lower than the balance of the Company. Therefore, the Company has considered that there will be no risk in respect of the collectability of such amount of money and no provision for impairment of bad debts is required.

2. Leasing**(1) Carrying amount of assets leased out under operating leases**

Categories of assets leased out under operating leases	As at 31 December 2016	As at 31 December 2015
Investment properties and fixed assets	106,677	59,022
Total	106,677	59,022

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

For the year ended 31 December 2016

XVII. SUPPLEMENTARY INFORMATION

1. Supplementary information in relation to expenses by nature

Item	As at 31 December 2016	As at 31 December 2015
Cost of raw materials and inventory goods	155,508	173,791
Press production, printing and distribution and delivery charges	72,531	102,856
Advertising space and newspaper operation right transferring fee and agency fee	86,934	86,569
Employee remuneration, social security, provident fund, employee benefit, educational fee and union fee	84,372	79,197
Leasing, property, utilities and maintenance fee	24,280	25,894
Impairment loss on assets	60,610	18,920
Intermediary, professional services and labour costs	40,797	18,809
Travel, communication, meeting and Business Hospitality	16,663	12,874
Film investment funds	40,149	11,556
Office, information and communication costs	8,201	9,401
Sales tax and surcharge	8,155	7,448
Depreciation and amortization expense	4,743	6,092
Activity costs	508	4,492
Transportation and handling charges	447	1,832
Property tax, land tax, stamp duty and travel tax	442	1,145
Financial expenses	(3,443)	(2,287)
Others	502	682
Total	601,399	559,271

2. Earnings per share

Item	As at 31 December 2016	As at 31 December 2015
Net loss attributable to shareholders of the Company	(58,838)	(45,372)
Weighted average number of issued ordinary shares (thousand shares)	197,310	197,310
Earnings per share (RMB)	(0.30)	(0.23)

Diluted earnings per share and basic earnings per share for the two years ended 31 December 2015 and 31 December 2016 were the same, as no diluting events existed for both years.

XVII. SUPPLEMENTARY INFORMATION (Continued)**3. Financial Instruments and risk management**
Classification of financial instruments

Item	As at 31 December 2016	As at 31 December 2015
Financial assets		
Investment at fair value through profit or loss, at fair value	–	–
Loan and receivables (including cash and cash equivalents)	987,834	918,271
Financial liabilities, at amortised cost	195,432	187,306

Major financial instruments of the Group include bank balances and cash, financial assets available for sale, accounts receivable, interest receivable, other current assets, other receivables, notes payable, accounts payable, employee benefit payables, tax payables, dividend payables, other payables, non-current liabilities due within one year and long-term borrowings etc. Details of the financial instruments are disclosed in their respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(1) Objective and policies of risk management

The Group engages in risk management with the aim of achieving an appropriate balance between risks and returns, where the negative effects of risks against the operating results of the Group are minimised, in order to maximise the benefits of shareholders and other stakeholders. Based on such objective in risk management, the underlying strategy of risk management of the Group is to ascertain and analyse all types of risks exposures of the Group, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus to confine risk exposures within a prescribed scope.

- 1) **Currency risk**
The Group's functional currency is RMB which most of the transactions are denominated in. However, certain other payables of the Group are denominated in foreign currencies.
- 2) **Interest rate risk**
The Group is exposed to fair value interest rate risk through bank fixed deposits and bank loans (see Notes VIII.1 for details respectively). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable interest rate bank balances (see Note VIII.1 for details) due to the fluctuation of the prevailing market interest rate. The management will continuously monitor interest rate fluctuation and will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of base rate published by the People's Bank of China arising from the Group's RMB bank balances.

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

For the year ended 31 December 2016

XVII. SUPPLEMENTARY INFORMATION (Continued)

3. Financial Instruments and risk management (Continued)

Classification of financial instruments (Continued)

(1) Objective and policies of risk management (Continued)

2) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the year. For variable-rate bank balances, the analysis is prepared assuming the financial assets outstanding at the end of the year were unsettled for the whole year and the stipulated change that took place at the beginning of the financial year was held constant throughout the financial year. A 25 (2015: 25) base point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 (2015: 25) base points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2016 would increase/decrease by nil (2015: nil). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

In management's opinion, the sensitivity analysis is not necessarily of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year

3) Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each year to ensure that adequate provision for impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on current assets is limited because the majority of the counter parties are banks with high credit ratings assigned by international credit-rating agencies.

The Group is subject to concentration risk on geographical location as it operates in the PRC market only. However, The Group has no significant concentration of credit risk as the Group's credit exposure spreads over a wide range of different counter parties and customers.

XVII. SUPPLEMENTARY INFORMATION (Continued)**3. Financial Instruments and risk management** (Continued)**Classification of financial instruments** (Continued)**(1) Objective and policies of risk management** (Continued)

4) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at end of the reporting period.

Liquidity table

Item	Less than 1 year		1-5 years		Total undiscounted		Carrying amount	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Notes payable	51,188	35,114	-	-	51,188	35,114	51,188	35,114
Accounts payable	78,916	75,333	-	-	78,916	75,333	78,916	75,333
Other payables	45,191	67,077	-	-	45,191	67,077	45,191	67,077
Non-current liabilities due								
within one year	5,500	6,500	-	-	5,500	6,500	5,500	6,500
Long-term loans	-	5,500	-	-	-	5,500	-	5,500

5) Fair value

The fair values of financial assets and liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- The fair value of financial guarantee contracts is determined by professional appraiser using default valuation model where the values of the liabilities associated with the guarantees are estimated based upon an analysis of the guaranteed companies' ability to repay their debts and the potential financial loss for the guarantors, assuming future defaults happen in different time periods.

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated balance sheet approximate their fair values.

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

For the year ended 31 December 2016

XVII. SUPPLEMENTARY INFORMATION (Continued)

4. Balance sheet of the Company

RMB'000

Item	Notes	At at 31 December 2016	As at 31 December 2015
Current assets:			
Bank balances and cash		108,104	171,414
Accounts receivable	<i>XVIII.1</i>	230,400	257,744
Prepayments		24,577	40,344
Interest receivable		172	954
Other receivable		280,287	109,450
Inventories		18,270	21,823
Other current assets		41,540	33,040
Total current assets		703,350	634,769
Non-current assets			
Financial assets available-for-sale		113,238	113,238
Investment in associates	<i>XVIII.2</i>	308,010	419,254
Investment properties		63,661	16,159
Fixed assets		4,953	6,071
Intangible assets		34,899	36,033
Other non-current assets		26,590	59,090
Total non-current assets		551,351	649,845
Total assets		1,254,701	1,284,614

For the year ended 31 December 2016

(Amounts expressed in thousands of RMB unless otherwise stated
in the notes to the financial statements)**XVII. SUPPLEMENTARY INFORMATION** (Continued)**4. Balance sheet of the Company** (Continued)

		RMB'000	
Item	Notes	At at 31 December 2016	As at 31 December 2015
Current liabilities:			
Accounts payable		32,470	36,758
Receipts in advance		17,413	19,830
Employee benefit payables		4,807	4,745
Tax payables		156	(19,692)
Other payables		34,251	51,250
Other current liabilities		1,609	2,432
Total current liabilities		90,706	95,323
Total liabilities		90,706	95,323
Shareholders' equity			
Share capital		197,310	197,310
Capital reserves		904,453	896,041
Surplus reserves		130,931	130,931
Undistributed profits		(68,699)	(34,991)
Total shareholders' equity		1,163,995	1,189,291
Total liabilities and shareholders' equity		1,254,701	1,284,614

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

For the year ended 31 December 2016

XVII. SUPPLEMENTARY INFORMATION (Continued)

5. Statement of changes in shareholders' equity of the Company

RMB'000

Item	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
As at 1 January 2015	197,310	896,214	130,931	35,422	1,259,877
Net profit	-	-	-	(50,682)	(50,682)
Dividends paid to shareholders	-	-	-	(19,731)	(19,731)
Others	-	(173)	-	-	(173)
Sub-total of the changes during the year	-	(173)	-	(70,413)	(70,586)
As at 31 December 2015	197,310	896,041	130,931	(34,991)	1,189,291
Net profit	-	-	-	(33,708)	(33,708)
Others	-	8,412	-	-	8,412
Sub-total of the changes during the year	-	8,412	-	(33,708)	(25,296)
As at 31 December 2016	197,310	904,453	130,931	(68,699)	1,163,995

XVIII. EXPLANATORY NOTES TO MAJOR ITEMS OF THE COMPANY

1. Accounts receivable of the Company

Item	As at 31 December 2016	As at 31 December 2015
Accounts receivable	296,840	283,097
Less: Provision for bad debts	66,440	25,353
Net accounts receivable	230,400	257,744
For reporting purpose, analysis as:		
Non-current assets – long-term receivables	-	-
Current assets – accounts receivable	230,400	257,744
Total	230,400	257,744

For the year ended 31 December 2016

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

XVIII. EXPLANATORY NOTES TO MAJOR ITEMS OF THE COMPANY (Continued)**1. Accounts receivable of the Company (Continued)**

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

Item	As at 31 December 2016	As at 31 December 2015
0-90 days	23,543	67,372
91-180 days	18,974	16,432
181-365 days	15,800	10,848
1-2 years	72,353	65,489
Over 2 years	99,730	97,603
Total	230,400	257,744

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

- (2) Analysis of account receivable by categories:

Item	As at 31 December 2016				As at 31 December 2015			
	Balance of carrying amount		Provision for bad debts		Balance of carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Significant individual receivables with bad debt provision made on individual basis	-	-	-	-	-	-	-	-
Receivables with bad debt provision made on group basis:								
Aging group	157,914	53.20	33,256	21.06	152,860	54.00	23,552	15.41
Related party group	137,125	46.19	31,383	22.89	128,404	45.36	-	-
Non-risk group	-	-	-	-	32	0.01	-	-
Sub-total	295,039	99.39	64,639	21.91	281,296	99.37	23,552	8.37
Insignificant individual receivables but with bad debt provision made on individual basis	1,801	0.61	1,801	100.00	1,801	0.63	1,801	100.00
Total	296,840	100.00	66,440	-	283,097	100.00	25,353	-

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

For the year ended 31 December 2016

XVIII. EXPLANATORY NOTES TO MAJOR ITEMS OF THE COMPANY (Continued)

1. Accounts receivable of the Company (Continued)

(2) Analysis of account receivable by categories: (Continued)

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

Item	As at 31 December 2016			As at 31 December 2015		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
Within 1 year	37,232	-	-	44,748	-	-
1-2years	58,286	10.00	5,829	64,354	10.00	6,435
2-3years	33,353	30.00	10,006	29,328	30.00	8,798
3-4years	19,376	50.00	9,688	10,749	50.00	5,374
Over 4 years	9,667	80.00	7,733	3,681	80.00	2,945
Total	157,914	-	33,256	152,860	-	23,552

(3) The top five accounts receivable as at 31 December 2016 represented 50.79% of the total accounts receivable.

2. Long-term equity investment of the Company

(1) Classification of long-term equity investments

Item	Balance at the end of the year			Balance at the beginning of the year		
	Balance of carrying amount	Provision for bad debts	Carrying value	Balance of carrying amount	Provision for bad debts	Carrying value
Investments in subsidiaries	274,304	-	274,304	274,304	-	274,304
Investments in associates	33,706	-	33,706	170,571	25,621	144,950
Total	308,010	-	308,010	444,875	25,621	419,254

For the year ended 31 December 2016

(Amounts expressed in thousands of RMB unless otherwise stated
in the notes to the financial statements)**XVIII. EXPLANATORY NOTES TO MAJOR ITEMS OF THE COMPANY** (Continued)**2. Long-term equity investment of the Company** (Continued)

(2) Investments in subsidiaries

Investee	Balance at the beginning of the year	Increase in this year	Decrease in this year	Balance at the end of the year	Provision for impairment in this year	Ending balance of impairment provision
BYD Logistics Company Limited	44,814	-	-	44,814	-	-
Beiqing C&C Advertising (Beijing) Limited	55,000	-	-	55,000	-	-
Beiqing Beiqing Outdoor Advertisement Co., Ltd.,	39,390	-	-	39,390	-	-
BeiqingNetwork CultureCommunication Co.,Ltd	51,000	-	-	51,000	-	-
Beiqing Long Teng Investment Management (Beijing) Co., Limited	21,100	-	-	21,100	-	-
Chongqing Youth Media Company Limited	18,000	-	-	18,000	-	-
Beiqing Qingyou Information Technology Co., Ltd.	30,000	-	-	30,000	-	-
Beiqing Community Culture Media (Beijing) Limited	15,000	-	-	15,000	-	-
Total	274,304	-	-	274,304	-	-

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

For the year ended 31 December 2016

XVIII. EXPLANATORY NOTES TO MAJOR ITEMS OF THE COMPANY (Continued)

2. Long-term equity investment of the Company (Continued)

(3) Investments in associates

Investee	Balance at the beginning of the year	Balance at the end of the year	Ending balance of impairment provision	Additional investment	Changes in the current year			Changes in other equity	Declaration of cash divided or profit	Provision for impairment	others
					Decrease in investment	Investment gain or loss recognized under equity method	Other comprehensive income adjustment				
Associates											
Beijing Leisure Trend Advertising Company Limited	-	-	-	-	-	-	-	-	-	-	-
Beijing Beijing Shengda Automobile Service Company Limited	-	-	-	-	-	-	-	-	-	-	-
Beijing Beisheng United Insurance Agency Co. Limited	367	-	-	218	-	-	-	-	-	585	-
BY Times Consulting Co., Ltd	97	-	-	(95)	-	-	-	-	-	2	-
Beijing Transmedia Co., Ltd	143,307	-	(127,719)	(15,588)	-	-	-	-	-	-	-
Beijing Beijing Top Advertising Limited	-	-	-	-	-	-	-	-	-	-	-
Hebei Jujingcai E-commerce Company Limited	-	-	-	-	-	-	-	-	-	-	-
Beijing Lingshi Technology Co., Ltd	1,179	-	-	(1,179)	-	-	-	-	-	-	-
Beijing International Advertising Media Group Co., Limited	-	33,119	-	-	-	-	-	-	-	33,119	-
Total	144,950	33,119	(127,719)	(16,644)	-	-	-	-	-	33,706	-

XIX. APPROVAL OF FINANCIAL REPORT

This financial report was approved by the Board of the Company on 31 March 2017.

Beijing Media Corporation Limited

31 March 2017