HK Stock Code: 1000

2017 ANNUAL REPORT

Beijing Media Corporation Limited

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

Content

COMPANY PROFILE

Beijing Media Corporation Limited 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 2017)

Beijing Media Corporation Limited

BYD Logistics Company Limited	92.84%
Beijing Beiqing Outdoor Advertisement Co., Ltd.	100%
Beiqing Long Teng Investment Management (Beijing) Co., Limited	51%
Chongqing Youth Media Company Limited	60%
Beiqing CéCi Advertising (Beijing) Limited	84.69%
Beiqing Network Culture Communication Co., Ltd.	100%
Beiqing Community Media Technology (Beijing) Co., Ltd. Note 1	52.661%
Beijing Qingyou Information Technology Co., Ltd.	100%

Note:

1. On 24 August 2017, the Company and Chongqing Huilin Equity Fund (Limited Partnership) entered into Capital Increase Agreements with Beiqing Community Media, pursuant to which, the Company agreed to inject RMB20 million in cash and Chongqing Huilin agreed to inject RMB40 million in cash to Beiqing Community Media. Upon completion of the Capital Increase, the Company's equity interest in Beiqing Community Media has been diluted from 54.37% to 52.661%. The relevant procedures of Capital Increase and corresponding changes in registration with the industrial and commercial administration authorities were all completed on 4 December 2017.

COMPANY WEBSITE

www.bjmedia.com.cn

STOCK INFORMATION

- Stock Code: 1000
- Board Lot: 500 shares
- Number of Shares Issued (as at 31 December 2017): 197,310,000 shares
- Market Capitalisation (as at 31 December 2017): HK$670.85 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 2017

EXECUTIVE DIRECTORS
Zhang Yanping *(Chairman)*
Yu Haibo *(Vice Chairman and President)* Note 1
He Xiaona *(Executive Vice President)* Note 2
Yang Wenjian *(Executive Vice President)* Note 3
Peng Liang *(Executive Vice President)* Note 4
Shang Da *(Vice President)*

NON-EXECUTIVE DIRECTORS
Zang Furong Note 3
Wu Bin Note 3
Xu Xun
Liu Hong

INDEPENDENT NON-EXECUTIVE DIRECTORS
Wu Tak Lung
Cui Enqing
Chen Ji
Wu Changqi
Chow Bing Chuen

JOINT COMPANY SECRETARIES
Shang Da
Yu Leung Fai

AUDIT COMMITTEE
Wu Tak Lung *(Chairman)*
Chow Bing Chuen
Wu Changqi Note 5

REMUNERATION COMMITTEE
Cui Enqing *(Chairman)*
Chen Ji
Wu Changqi

NOMINATION COMMITTEE
Zhang Yanping *(Chairman)*
Chen Ji
Wu Changqi

AUTHORISED REPRESENTATIVES
Zhang Yanping
Yu Haibo Note 6

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 Note 7

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
WUYIGE Certified Public Accountants LLP Note 8
Room 1504,
Institute International Building,
No. 1 Zhichun Road,
Haidain 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.

Note:

1. Upon the approval at the 15th meeting of the 6th session of the Board convened on 17 January 2018, Mr. Yu Haibo resigned from the positions as the Company's president, executive Director of the 6th session of the Board and vice chairman of the Board, and Mr. Li Xiaobing was appointed as the president of the Company. Please refer to the announcement of the Company dated 17 January 2018 for details.

2. Ms. He Xiaona resigned from the positions of the executive vice president and executive Director due to the reach at the retirement age on 29 March 2018.

3. Upon the approval at the annual general meeting of the Company convened on 30 June 2017, Ms. Yang Wenjian was appointed as an executive Director of the 6th session of the Board, and Ms. Zang Furong and Mr. Wu Bin were appointed as the non-executive Directors of the 6th session of the Board. Please refer to the announcement of the Company dated 30 June 2017 for details.

4. On 31 March 2017, Mr. Duan Gang resigned from the positions as the executive Directors of the 6th session of the Board and executive vice president of the Company. Upon the approval at the 7th meeting of the 6th session of the Board convened on 31 March 2017, Mr. Peng Liang was appointed as the executive vice president of the Company. 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. Upon the approval at the 13th meeting of the 6th session of the Board convened on 20 November 2017, Mr. Peng Liang ceased to serve concurrently as the chief financial officer of the Company. Please refer to the announcement of the Company dated 20 November 2017 for details.

5. Upon the approval at the 7th meeting of the 6th session of the Board convened on 31 March 2017, Mr. Wu Changqi, an independent non-executive Director, was appointed as a member of the Audit Committee of the 6th session of the Board. Please refer to the announcement of the Company dated 31 March 2017 for details.

6. Upon the approval at the 16th meeting of the 6th session of the Board convened on 29 March 2018, Mr. Peng Liang was appointed to replace Mr. Yu Haibo as one of the authorized representative of the Company with immediate effect.

7. The principal place of business in Hong Kong of the Company was changed to 10/F.,Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong on 16 April 2018. Please refer to the announcement of the Company dated 16 April 2018 for details.

8. Upon the approval at the annual general meeting of the Company convened on 30 June 2017, WUYIGE Certified Public Accountants LLP （大信會計師事務所（特殊普通合夥）） was appointed as the Company's auditor for the year 2017. Please refer to the announcement of the Company dated 30 June 2017 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 2017. 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 medium is *Beijing Youth Daily*.

The Group's total operating revenue for 2017 was RMB426,708 thousand, representing a 11.71% decrease from 2016 (2016: RMB483,306 thousand). Net loss attributable to Shareholders of the Company was RMB85,251 thousand in 2017 (2016: RMB58,838 thousand). Earnings per share was RMB-0.43 in 2017 (2016: RMB-0.30).

In 2017, on the basis of consolidating the existing business, the Group optimized its top-layer organization. On this basis, the Group developed new products, introduced new industry formats and centralized resources to realize maximum benefits through methods of capital operation. The Group gradually achieved "emptying the cage, removing the bird" (騰籠換鳥) in stages. Meanwhile, the Group further promoted the integrated development of new and traditional media, controlled costs, broadened its sources of income and reduced expenditure, and finally achieved the goals of optimizing its industrial structure and product mix and improving results.

In 2018, the Group will stick to its top-layer design vision and strive to complete its preliminary optimization of industrial structure, centralize resources to distribute new media and new industrial formats, and further improve the integration of new media with traditional media by developing new media products, thus achieving the leverage effect that the sum of one plus one will be greater than two and elevating the Group's competitiveness in the end.

The structural optimization measures of the Group will make a significant and profound impact on its favorable stable, and long-term development of the Group. The Group's performance in 2017 was heavily dependent on the concerted efforts of the management and staff in each of our business units. Their insight to market opportunities and excellent quality are the key to our success. On behalf of the Shareholders and other members of the Board, I would like to express my sincere gratitude to them all.

Zhang Yanping
Chairman

29 March 2018
Beijing, the PRC

GROUP BUSINESS REVIEW

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

The Group's total operating revenue for 2017 was RMB426,708 thousand, representing a 11.71% decrease compared with 2016 (2016: RMB483,306 thousand). Net loss attributable to shareholders of the Company for 2017 was RMB85,251 thousand (2016: RMB58,838 thousand).

In 2017, a new round of real estate regulation and pollution governance and emissions reduction policies strengthened control over the real estate and automotive industries, and development of print media was impacted by the rapid development of the internet economy, which affected the Group's results. To cope with the market situation, the Group took the following steps under its top-layer design plan:

I. Implementing top-layer design and optimizing industrial structure

Following its top-layer arrangement plan, the Group streamlined its eight subsidiaries and associates and optimized the industrial structure in 2017:

1. On 14 March 2017, the Group disposed of 20% equity interests in Beijing Lingshi Technology Co. Ltd. at a premium through public bidding process at total consideration of RMB 2,100 thousand, upon completion of which the Company ceased to hold any shares thereof.

2. After negotiation, the investors have made clear intention to acquire all the equity interests in five subsidiaries and associates of the Group. The disposals will be completed gradually pending the related regulatory procedure and internal approval process.

3. Meanwhile the Company has reached preliminary agreement with shareholders of two non-core business associates of the Group on the liquidation matters.

II. Strengthening the Group's management team and improving its operations and management

Since 2017, the Group has been planning to enhance competitiveness by strengthening its management team through improving professional and management skills. Upon the approval at the 15th meeting of the 6th session of the Board on 17 January 2018, Mr Li Xiaobing was appointed as president of the Company.

III. Developing new media products and further improving the integration of new media with traditional media

In 2017, the Group developed and launched "Beijing Headline" and "Chongqing Headline" apps and established a new media platform integrating these apps with the WeChat Matrix Platform, which advanced resource sharing, inter-connection and formed a joint force between new and traditional media.

GROUP BUSINESS REVIEW *(Continued)*

Advertising Business

During 2017, revenue from the Group's advertising business was RMB173,263 thousand (RMB211,053 thousand for the corresponding period in 2016), representing a year-on-year decrease of 17.91%.

Advertising in the real estate sector was still the leading advertising business of the Company, with advertising placement by the automotive industry also accounting for a considerable proportion of the total advertising placement volume. According to third party market monitoring data, in 2017 the Company's advertising placement volume in the real estate industries maintained its leading position among other major Beijing metropolitan newspapers. The Company's advertising placement volume in other industries such as finance and insurance, cosmetics and hygiene and media publication also remained in a similar leading position.

According third party market monitoring data, the total advertising placement volume in the real estate and automotive industries in printed Beijing metropolitan newspapers in 2017 represented a year-on-year decrease. As a result, the Company's advertising revenue from the real estate and automotive industries recorded a decrease in 2017. Advertising revenue from other industries also decreased to various extents. However, advertising revenue from home appliances, finance and insurance and food and beverage continued to increase.

In 2017, the Group took the following operational measures:

I. New product development. In June 2017, the Group launched an app called "Beijing Headline". As of 31 December 2017, the total number of downloads of the app was 1,300,000, with a maximum 60,000 daily active users, making "Beijing Headline" a comparatively influential new media. In March 2017 another app called "Chongqing Headline" was launched. By leveraging the two apps, the Group was able to tailor new digital marketing models for its traditional customers. At the same time, according to data analysis and by relying on the Group's marketing, integrating and planning capability, the business platforms of traditional and new media will be opened to expand new customer resources.

II. Direct sales system. Affected by policies, in the past the Group had implemented an "agent system" for its advertisement business, entrusting agent companies to undertake advertising. In recent years, and especially in 2017, the Group has comprehensively implemented a direct sales system entailing direct communication with advertising clients. In 2017, a range of marketing and promotional activities were held under the direct sales system. For example, the Company cooperated with factories in northern China of BYD Company Limited to organize "Jingchenghuanlesong" online/offline activies, and provided comprehensive online/offline solutions for the second-hand car market in Huaxiang. The implementation of direct sales aims to cut down intermediate links and reduce costs.

III. Gathering professional talents. The Group set up real estate and automotive workshops to conduct professional marketing with professional teams.

Film and Television Business

In 2017, the Company adhered to the principle of quality content and continued to explore diversified investment in films and television. The Company intensively developed film and television projects carrying forward value to society, such as the historical drama Grain Field Under the Sun (《天下糧田》), which was broadcast by CCTV1 during prime time at the end of 2017, which achieved a satisfactory audience share and received good feedback. The Company also participated in the fast-growing medium of online film and television in cooperation with mainstream online platforms. In May 2017, the Company president's office approved investment in Cover the Sky (《素手遮天》), an online drama which is currently in post-production and scheduled to be shown on Tencent Video in the first half of 2018. Interests of scripting of film and television another project being made with Group participation is the television program Setting Sail (《啟航》) (originally Heart of Ice (《破冰》). Currently at the scripting stage, the program will reflect conditions of today's urban industrial upgrading.

GROUP BUSINESS REVIEW *(Continued)*

Results of major subsidiaries in the Group

Beiqing CéCi is a 84.69%-owned subsidiary of the Company. In 2017, it focused on the advertising business agency in CéCi (《茜茜姐妹CéCi》), a premium women's fashion magazine distributed across over 40 major cities in China including Hong Kong. Through over nine years of marketing, CéCi has been a favorite of urban white-collar women, with a solid sales record since its launch. In 2017, Beiqing CéCi effectively promoted its brand image and corporate influence through popular stars and fashion trends; planned innovative special reports and offline activities to obtain more advertising placement volume; proactively developed the service model of online media (website, Weibo and WeChat), and the number of its subscribers has effectively increased through website and WeChat subscription.

Beiqing Community Media is a 52.661%-owned subsidiary of the Company. In 2017, Beiqing Community Media was dedicated to creating the largest community service platform in China integrating online and offline services. At present it owns a number of Beiqing Community Daily (《北青社區報》) and 32 WeChat public accounts, one "OK Home" app, and several community relay stations. By building a three-in-one business model, it realizes direct contact with residents online and offline. The 32 WeChat public accounts, operated as an auxiliary channel for the "OK Home" app, promote related information and activities. With over 700 thousand of official WeChat fans currently, the WeChat accounts have effectively increased the advertising placement. Additionally, while operating its own WeChat platform, Beiqing Community Media also assisted government departments in operating 18 WeChat public accounts and app projects, cooperated with governmental departments and communities to publish 20 newspapers or periodicals, undertook a number of government and community cooperation activities. By these means, it received a greater volume of social feedback and thus effectively expanded influence of corporate brands by government resources. Furthermore, in 2017, Beiqing Community Media launched a full set of marketing solutions on "advertising+ online promotion + offline activities + product distribution" to create key innovative projects relating to real estate, stadium operation, travel cooperation, OK Home annual tickets and online mall to gradually realize corporatization at the organization and management level, adopting market-oriented approach in business operations and professional approach in project execution.

With the development of Beiqing Community Daily, the continuous accumulation of online and offline resources, and sound capital operation, Beiqing Community Media is gradually developing the classified channel of plain media. On 24 August 2017, the Company and Chongqing Huilin Equity Fund (Limited Partnership) made capital injection in Beiqing Community Media by cash in the amounts of RMB20 million and RMB40 million respectively. Upon this increase of capital, the Company's shareholding in Beiqing Community Media decreased from 54.37% to 52.661%. In addition, in 2017, Beiqing Community Media established a wholly-owned tourism subsidiary, Beiqing Community Travel (Beijing) Co., Ltd. (北青社區旅遊（北京）有限公司) focusing on tourism business and a wholly-owned trade subsidiary, Beijing Beiqing Community Trade Co., Ltd. (北京北青社區商貿有限公司) focusing on trade business to further expand their respective community business.

Chongqing Media is a 60%-owned subsidiary of the Company. In 2017, it continued to promote the transformation of its media. It successfully built a business structure comprising all forms of media which include newspaper, website, WeChat, Weibo, APP etc., with focus on the development of "Chongqing Headlines" (重慶頭條) App, to further promote transformation. It achieved a comprehensive upgrade of its business through promotion of online and offline activities and the integrated marketing of combinations of products. Chongqing Media is striving to realize a profit as soon as possible.

GROUP BUSINESS REVIEW *(Continued)*

Results of major subsidiaries in the Group *(Continued)*

BYD Logistics is a 92.84%-owned subsidiary of the Company, principally engaged in printing and trading business of printing-related materials. In 2017, operating revenue was RMB240,625 thousand, representing an increase of 5.17% compared with the same period of last year. Profits were RMB2,226 thousand, representing an increase of 87.60% compared with the same period of last year. In 2017, as revenue from the printing business decreased due to a continued decline in the industry market, BYD Logistics grasped the consequent opportunities such as a supply shortage in the paper market. Prior to the surge in paper price, it increased its paper inventory via numerous channels and purchased a large quantity of imported paper priced much lower than the domestic level. This not only ensured a stable cost for its own printing paper, but also effectively increased sales in the printing materials trading business. In 2017, operating revenue of BYD Logistics from related materials trading business of printing materials was RMB189,991 thousand, representing a 10.01% increase compared with the same period of 2016.

Prospects and future plans

In 2018, the Group will continue to improve cost control measures;

In 2018, the Group will continue to optimize its industrial and product structure, and make rational use of resources to increase efficiency.

In 2018, the Group will continue to strengthen its operations and management, improve its operational quality, and enhance its competitiveness;

In 2018, with the existing businesses remaining at the core, the Group will actively expand into new businesses, cultivate new profit growth drivers, and persistently consolidate and leverage on its relationship with BYDA to promote the development of the Group's business and stand out among peers as a leading media group with cross-media platforms in the PRC.

FINANCIAL POSITION AND OPERATIONAL RESULTS

1. Total Operating Revenue

Total operating revenue of the Group for 2017 was RMB426,708 thousand (2016: RMB483,306 thousand), representing a decrease of 11.71% as compared with 2016. Of which, revenue from advertising sales was RMB173,263 thousand (2016: RMB211,053 thousand), representing a decrease of 17.91% as compared with 2016; revenue from printing was RMB8,934 thousand (2016: RMB11,368 thousand), representing a decrease of 21.41% as compared with 2016; and revenue from trading of print-related materials was RMB189,991 thousand (2016: RMB172,707 thousand), representing an increase of 10.01% as compared with 2016.

2. Operating Cost and Sales Tax and Surcharges

Operating cost of the Group for 2017 was RMB378,758 thousand (2016: RMB409,320 thousand), representing a decrease of 7.47% as compared with 2016. Of which, cost of advertising sales was RMB150,027 thousand (2016: RMB161,814 thousand), representing a decrease of 7.28% as compared with 2016; cost of printing was RMB7,431 thousand (2016: RMB12,719 thousand), representing a decrease of 41.58% as compared with 2016; and cost of trading of print-related materials was RMB177,287 thousand (2016: RMB162,626 thousand), representing an increase of 9.02% as compared with 2016. Tax and surcharges were RMB6,685 thousand (2016: RMB8,155 thousand), representing a decrease of 18.03% as compared with 2016.

3. Gross Profit

Gross profit of the Group for 2017 was RMB47,950 thousand (2016: RMB73,986 thousand), representing a decrease of 35.19% as compared with 2016; gross profit margin of the Group for 2017 was 11.24% (2016: 15.31%).

4. Selling Expenses

Selling Expenses of the Group for 2017 was RMB49,209 thousand (2016: RMB64,592 thousand), representing a decrease of 23.82% as compared with 2016.

5. Administrative Expenses

Administrative expenses of the Group for 2017 was RMB45,299 thousand (2016: RMB62,165 thousand), representing a decrease of 27.13% as compared with 2016.

6. Financial Expenses

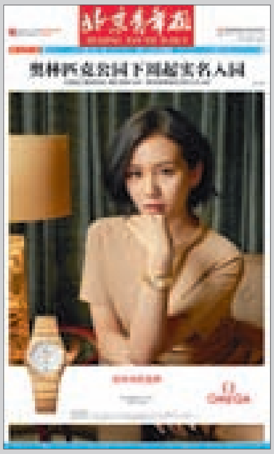
Financial expenses of the Group for 2017 was RMB-244 thousand (2016: RMB-3,443 thousand), representing a decrease of 92.91% in absolute value as compared with 2016. Of which, interest income was RMB2,613 thousand (2016: RMB4,874 thousand), representing a decrease of 46.39% as compared with 2016; and foreign exchange gain was RMB13 thousand (foreign exchange loss for 2016: RMB3 thousand).

7. Share of Loss of Associates

Share of loss of associates of the Group for 2017 was RMB2,181 thousand (2016: RMB17,017 thousand), representing a decrease of 87.18% as compared with 2016.

8. Operating Profit

Operating profit of the Group for 2017 was RMB-95,738 thousand (2016: RMB-73,228 thousand), representing a decrease of 30.74% as compared with 2016.



9. **Income Tax Expenses**

Income tax expenses of the Group for 2017 was RMB3,210 thousand (2016: RMB950 thousand), representing an increase of 237.89% in absolute value as compared with 2016. 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、北京市國家税務局、北京市地方税務局、中國共產黨北京市委員會宣傳部轉發財政部、國家税務總局、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税收政策的通知》(京財税[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 2017 was RMB99,577 thousand (2016: net loss of RMB70,874 thousand). Of which, net loss attributable to shareholders of the Company was RMB85,251 thousand (2016: net loss attributable to shareholders of the Company RMB58,838 thousand).

11. **Final Dividend**

The Board did not propose a final dividend for the year 2017 (2016: Nil).

12. **Net Current Assets**

As at 31 December 2017, net current assets of the Group was RMB771,096 thousand (31 December 2016: RMB835,385 thousand). Current assets mainly comprised bank balances and cash of RMB363,820 thousand (31 December 2016: RMB214,527 thousand), accounts receivable of RMB301,232 thousand (31 December 2016: RMB422,045 thousand), prepayments of RMB8,886 thousand (31 December 2016: RMB54,446 thousand), interest receivable of RMB421 thousand (31 December 2016: RMB182 thousand), other receivables of RMB172,947 thousand (31 December 2016: RMB311,297thousand), inventories of RMB36,288 thousand (31 December 2016: RMB28,117 thousand), non-current assets due within one year was Nil (31 December 2016: RMB1,060 thousand), and other current assets was RMB42,296 thousand (31 December 2016: RMB39,783 thousand). Current liabilities mainly comprised notes payable of RMB31,970 thousand (31 December 2016: RMB51,188 thousand), accounts payable of RMB30,109 thousand (31 December 2016: RMB78,916 thousand), receipts in advance of RMB30,067 thousand (31 December 2016: RMB39,031 thousand), employee benefit payables of RMB8,060 thousand (31 December 2016: RMB8,882 thousand), interest payables was Nil (31 December 2016: RMB25 thousand), tax payables of RMB5,049 thousand (31 December 2016: RMB5,730 thousand), other payables of RMB50,129 thousand (31 December 2016: RMB45,191 thousand), non-current liabilities due within one year was Nil (31 December 2016: RMB5,500 thousand), and other current liabilities of RMB1,076 thousand (31 December 2016: RMB1,609 thousand).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2017, current assets of the Group was RMB927,556 thousand (31 December 2016: RMB1,071,457 thousand), including bank balances and cash of RMB363,820 thousand (31 December 2016: RMB214,527 thousand) and non-current assets was RMB467,828 thousand (31 December 2016: RMB429,378 thousand).

As at 31 December 2017, current liabilities of the Group was RMB156,460 thousand (31 December 2016: RMB236,072 thousand) and non-current liabilities was RMB38,350 thousand (31 December 2016: RMB4,514 thousand).

As at 31 December 2017, shareholders' equity of the Group was RMB1,200,574 thousand (31 December 2016: RMB1,260,249 thousand).

GEARING RATIO

As at 31 December 2017, gearing ratio of the Group was 16.23% (31 December 2016: 19.09%) (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 2017, bank loans of the Group was RMB30,000 thousand (31 December 2016: RMB5,500 thousand). The currency unit of cash and cash equivalent held by the Group was Renminbi.

FINANCING COST

Financing cost of the Group for 2017 was RMB1,073 thousand (2016: RMB1,278 thousand).

FIVE-YEAR RESULTS HIGHLIGHTS

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total operating revenue	**426,708**	483,306	509,257	680,769	667,428
Net profit	**(99,577)**	(70,874)	(54,478)	4,896	17,273
Net profit attributable to shareholders of the Company	**(85,251)**	(58,838)	(45,372)	10,506	20,377
Earnings per share – basic and diluted *(RMB)*	**(0.43)**	(0.30)	(0.23)	0.05	0.10

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**1,395,384**	1,500,835	1,554,421	1,595,590	1,612,519
Total liabilities	**194,810**	240,586	231,776	284,622	279,005
Total equity attributable to shareholders of the Company	**1,140,864**	1,214,959	1,265,345	1,281,732	1,302,238
Shareholders' equity per share as at the end of the year *(RMB)*	**5.78**	6.16	6.41	6.50	6.60

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 which have been used up.

In order to capture more business opportunities arising from emerging media businesses and other media-related 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 2017)

	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.	4,263,117	2.16
– Beijing Development Area Ltd.	2,986,109	1.52
– Sino Television Co., Ltd	2,952,800	1.50
Domestic Shares *(subtotal)*	142,409,000	72.18
H Shares *(Note)*	54,901,000	27.82
Total share capital	197,310,000	100.00

Note: Including 19,533,000 outstanding H Shares held by Mr. Jia Yueting through 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 2017 was RMB7,719 thousand (2016: RMB2,357 thousand). Capital expenditures of the Group for 2017 was mainly comprised of the expenditures consistent with business strategies.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

On 27 May 2017, Beiqing Outdoor, a subsidiary of the Company, has entered a loan agreement with Huaxia Bank, Beijing Shouti Sub-branch, pursuant to which Huaxia Bank, Beijing Shouti Sub-branch will provide RMB30,000 thousand to Beiqing Outdoor for payment of utilization fee of advertising facilities, and the loan is repayable within 36 months (from 27 May 2017 to 27 May 2020) with an interest rate of 20% on top of the People's Bank of China 3-year benchmark rate and to be guaranteed by the Company.

Save as disclosed above, as at 31 December 2017, the Group did not have any contingent liabilities, nor any pledge of assets.

MATERIAL INVESTMENTS

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 24 August 2017, the Company and Chongqing Huilin entered into Capital Increase Agreement with Beiqing Community Media, pursuant to which, the Company agreed to inject RMB20 million in cash and Chongqing Huilin agreed to inject RMB40 million in cash to Beiqing Community Media. Upon completion of the Capital Increase, the Company's equity interest in Beiqing Community Media diluted from 54.37% to 52.661%. The proceeds funded from the Capital Increase is proposed to be mainly utilized by Beiqing Community Media to deeply explore and develop the types of community life related products and services so as to achieve horizontal cross regional business expansion. Please refer to the announcement of the Company dated 24 August 2017 for details.

Save as disclosed above, the Group had no other material acquisition or disposal of assets during the Reporting Period.

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 and other aspects. During the year ended 31 December 2017, 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 2017, the Group placed advertisements in the theme of public welfare all year round so as to promote the concept of environmental protection.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, 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 creates 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 of 2017, the Group held staff trainings, and organised the staff to watch arts performance and sporting events for many 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 of 2017, there was no significant and material dispute between the Group and its suppliers and/or customers.

FOR THE YEAR ENDED 31 DECEMBER 2017

EXECUTIVE DIRECTORS

Mr. Zhang Yanping, 60, 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 37 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, 45, is the former 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 senior editor in news. 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. Mr. Yu resigned from the positions of the president, executive Director and the vice chairman of the Board on 17 January 2018.

Ms. He Xiaona, 55, is the former 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. Ms. He resigned from the positions of the executive vice president and executive Director due to the reach at the retirement age on 29 March 2018.

Ms. Yang Wenjian, 47, is the executive vice president and an executive Director of the Company. Ms. Yang graduated from the Beijing International Studies University in 1992 with a bachelor's degree in literature. Ms. Yang served in Sino-Japan Youth Communication Center from August 1992 to March 1996, and in Beijing Huawen Xutong International Advertising Co., Ltd. from March 1996 to January 1998. Ms. Yang joined BYDA in January 1998, and had successively served in various positions including reporter, deputy director, executive chief editor and deputy president. From October 2005 to July 2016, Ms. Yang served in Hebei Youth Daily Agency as president and chief editor. From April 2013 to February 2017, Ms. Yang served as the chairman of Chongqing Youth Media Company Limited. Ms. Yang has over 20 years of experience in the media business. Ms. Yang was appointed as vice president of the Company on 31 March 2017, a Director on 30 June 2017, and an executive vice president of the Company on 24 August 2017

EXECUTIVE DIRECTORS *(Continued)*

Mr. Peng Liang, 45, is the executive vice president and executive Director of the Company. Mr. Peng 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 from 13 December 2011 to 20 November 2017 and also appointed as Director on 30 June 2016. Mr. Peng was appointed as executive vice president of the Company on 31 March 2017.

Mr. Shang Da, 56, 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 course 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

Ms. Zang Furong, 57, is currently a member of the Party Committee, chairman of the labour union, and director of inspection office in BYDA. Ms. Zang graduated from Beijing Fengtai Normal College with the major of physics in 1980, from Beijing Institute of Education with the major in ideological and political education in 1987, and from Party School of the Central Committee of C.P.C. with the major in economics in 1994. From 1980 to August 1984, Ms. Zang served as a teacher in Fengtai No. 5 Middle School in Fengtai District, Beijing. From August 1984 to August 1988, Ms. Zang served in the Middle School Department of China Communist Youth League Fengtai Committee in Beijing successively in various positions such as officer and minister, and concurrently served in Fengtai Bureau of Education as the secretary of China Communist Youth League Committee from January 1986 to August 1988. From August 1988 to September 1993, Ms. Zang served in the Middle School Department of China Communist Youth League Beijing Committee as deputy director and director, successively. Ms. Zang joined BYDA in September 1993, and had successively served in various positions including the deputy general manager of Beijing Youth Daily Newspaper Corporation, director of inspection office, member of the Party Committee and chairman of the labour union. Ms. Zang has over 25 years of experience in media business. Ms. Zang was appointed as a Director on 30 June 2017.

Mr. Wu Bin, 49, is currently the deputy president and the member of the Disciplinary Inspection Commission of BYDA. Mr. Wu graduated from Beijing Institute of Education with the major in geography in 1991, and from Adult Education College in Beijing Administrative College with the major in administrative management in 1999. Mr. Wu served in Beijing Xuanwu District Bureau of Education as an officer and the Communist Youth League officer from July 1987 to April 1993 successively. Mr. Wu successively served in various positions in China Communist Youth League Beijing Committee from April 1993 to January 2004 including staff member, deputy principal staff member and principal staff member of Juvenile Department, as well as principal staff member and deputy director of Business Department. Mr. Wu joined BYDA in January 2004, and had successively served in various positions including deputy director, director of the Party Committee Office, office director and deputy president. Mr. Wu has over 14 years of experience in media business. Mr. Wu was appointed as a Director on 30 June 2017.

NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Xu Xun, 62, 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 (600479.SH), a listed company of A shares from August 2010 to April 2015, as the director of Hunan Jiuzhitang Co., Ltd. (000989.SZ), a listed company of A shares from June 2014 to November 2014 and as the director of Sinolink Securities Co., Ltd. (600109.SH), a listed company of A Shares since November 2011. Mr. Xu was appointed as a Director on 16 May 2001.

Mr. Liu Hong, 44, is a non-executive Director. Mr. Liu is currently serving as the director of Leshi Internet Information & Technology Corp., Beijing (300104.SZ) and the non-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 is currently served as the vice chairman and deputy general manager of Leshi Internet Information & Technology Corp., Beijing. 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, 52, 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 and Investment 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 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 (01829.HK), Sinomax Group Limited (01418.HK), Kam Hing Investment Holdings Limited (02307.HK), Sinotrans Shipping Limited (00368.HK) and Henan Jinma Energy Company Limited (06885.HK) and, which are companies listed on the Hong Kong Stock Exchange, Olympic Circuit Technology Co., Ltd. (603920.SH), a company listed on the Shanghai Stock Exchange, and First Tractor Company Limited (00038.HK, 601038.SH), 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 Aupu Group Holding Company Limited (00477.HK) and Huarong Investment Stock Corporation Limited (02277.HK), whose shares are 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, 74, 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, 66, 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 of work experience, 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) since 1995 and held a concurrent position as the general legal counsel. 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, 63, 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, and was appointed as a Director on 30 June 2016.

Mr. Chow Bing Chuen, 51, is an independent non-executive Director. Mr, Chow is currently serving as the director of Okeanes Capital Investments 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. Zhang Zhibing, 42, is currently the director of the Party Committee Office of BYDA. Mr. Zhang graduated from Peking University in 1998 with a bachelor's degree in economics. Mr. Zhang served as the head of business planning of the corporate management department in Great Dragon Information Technology Co., Ltd. from August 1998 to November 2000. Mr. Zhang joined BYDA in December 2000, and had successively served in various positions such as office secretary, assistant to the director of the Party Committee Office, and director of the Party Affair Management and Party Committee Office. Mr. Zhang has nearly 18 years of experience in media business. Mr. Zhang was appointed as a Supervisor on 30 June 2017.

Mr. Zhang Chuanshui, 66, 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 division 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, 43, is currently the manager of the department of listing of China Satellite Communications Co. Ltd (formerly known as China Satellite Communications Company Limited). 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.. From March 2009 to May 2017, Mr. Zhao has served as the deputy manager of the department of enterprise development of China Satellite Communications Co. Ltd. Since June 2017, Mr. Zhao has served as the manager of the department of listing of China Satellite Communications Co. Ltd. Mr. Zhao was appointed as a Supervisor on 15 May 2013.

Ms. Yan Mengmeng, 54, 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. Zhang Bo, 38, is the manager of the Human Resources Department of the Company. Ms. Zhang graduated in 2005 from the Department of Sociology of Peking University majoring in Sociology. Joining Beijing Youth Daily Agency in July 2005, Ms. Zhang has served as a secretary and the chief secretary of the Secretarial Division of the Office and an assistant to the director of the Party Committee Office of Beijing Youth Daily Agency. Ms. Zhang joined the Company in December 2015 and serves as the manager of the Human Resources Department. Ms. Zhang also serves as the chairman and general manager of Beijing Youth Online Culture and Communication Co., Ltd., a subsidiary of the Company, since April 2017. Ms. Zhang was appointed as a Supervisor on 5 December 2017.

SENIOR MANAGEMENT

Mr. Yu Haibo, the former president of the Company. For details of the biographical information of Mr. Yu, please refer to the profile of executive Director.

Mr. Li Xiaobing, 48, the president of the Company. 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 joining BYDA in September 2004, Mr. Li has successively served as vice president and standing vice president of BYDA. Mr. Li served as non-executive Director from 15 May 2012 to 31 March 2017. Mr. Li was appointed as the president of the Company on 17 January 2018.

Mr. Du Min, 50, 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 from 30 December 2002 to 7 June 2010. Mr. Du was appointed as the executive vice president of the Company in October 2004.

Ms. He Xiaona, the former executive vice president of the Company. For details of the biographical information of Ms. He, please refer to the profile of executive Director.

Ms. Yang Wenjian, the executive vice president of the Company. For details of the biographical information of Ms. Yang, please refer to the profile of executive Director.

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

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

Ms. Li Xin, 39, is the chief financial officer of the Company. Ms. Li graduated from Wuhan College of Military Economy majoring in economic 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 served as the assistant of chief financial officer and deputy chief financial officer of the Company. Ms. Li was appointed as the chief financial officer of the Company on 20 November 2017 and has also served as director and supervisor of certain subsidiaries and affiliated company of the Company. Ms. Li served as a Supervisor during the period from 31 March 2015 to 20 November 2017.

The Board is pleased to present the annual report and the audited consolidated financial statements for the year ended 31 December 2017.

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 HKD4.40 and HKD2.88 respectively for the year ended 31 December 2017. On 29 December 2017 (the last trading day in 2017), the transaction volume was 82,500 shares and the closing price was HKD3.40 per share.

ACCOUNTS

Financial position of the Group as at 31 December 2017 are set out on pages 69 to 70 of the consolidated balance sheet.

Results of the Group for the year ended 31 December 2017 are set out on pages 71 to 72 of the consolidated income statement.

Cash flows of the Group for the year ended 31 December 2017 are set out on pages 73 to 74 of consolidated cash flow statement.

Changes in equity of the Group for the year ended 31 December 2017 are set out on page 75 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. Discussion on major risks and uncertainties faced by the Group and discussions in respect of the possible future development of business of the Group, are included in the sections headed "Management Discussion and Analysis" and "Corporate Governance Report" of this annual report.

DIVIDEND

The Board did not propose a final dividend for the year ended 31 December 2017.

MAJOR SUPPLIERS AND CUSTOMER

For the year ended 31 December 2017, the total purchase by the Group from its five largest suppliers was RMB141,495 thousand (2016: RMB160,052 thousand), accounting for 37.36% of its total purchase for the year of 2017 (2016: 31.43%); and the purchase from the largest supplier was RMB50,821 thousand (2016: RMB51,906 thousand), accounting for 13.42% of its total purchase for the year of 2017 (2016: 10.19%).

MAJOR SUPPLIERS AND CUSTOMERS *(Continued)*

For the year ended 31 December 2017, the total sales by the Group to its five largest customers was RMB105,654 thousand (2016: RMB82,011 thousand), accounting for 24.76% of its total sales for the year of 2017 (2016: 16.97%); and the amount of sales to the largest customer was RMB32,626 thousand (2016: RMB25,766 thousand), accounting for 7.65% of its total sales for the year of 2017 (2016: 5.33%).

For the year ended 31 December 2017, the purchase by the Group from BYDA, the controlling shareholder of the Group, was RMB14,479 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 2017, the subsidiaries of the Company include BYD Logistics, Beiqing Long Teng, Beiqing CéCi, Beiqing Network Culture, Qingyou Information, Beiqing Community Media, Beiqing Community Travel (Beijing) Co., Ltd., Beijing Beiqing Community Trade Co., Ltd., Beiqing Outdoor, Chongqing Media and CHONG QING YOUTH (AMERICA) LLC.

As at 31 December 2017, 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, Chongqing Soyang Internet Technology Co., Ltd., BIAC and Beijing Shangyou Network 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 75 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 2017 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 2017, 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%	328
Total	197,310,000	100%	333

* The above mentioned percentage figures are based on the records in the Company's register of members as at 31 December 2017.

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 2017, so far as the Directors, Supervisors and chief executives 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 of shareholders	Capacity	H shares/ Domestic shares	Nature of interest	Number of H shares/ Domestic shares held	Percentage of H shares/ Domestic shares over total issued H shares/ Domestic shares respectively %	Percentage of total issued share capital of the Company %
BYDA	Beneficial owner	Domestic shares	N/A	124,839,974	87.66	63.27
Beijing Zhijin Science and Technology Investment Co., Ltd.	Beneficial owner	Domestic shares	N/A	7,367,000	5.17	3.73
Leshi Internet Information & Technology Investment Co., Ltd. Note 1	Beneficial owner	H shares	Long position	19,533,000	35.58	9.90
Jia Yueting Note 1	Interest of controlled corporation	H shares	Long position	19,533,000	35.58	9.90
Founder Investment (HK) Ltd. Note 2 & Note 3	Beneficial owner	H shares	Long position	4,939,000	8.99	2.50
Beijing University Founder Investment Co., Ltd. Note 2	Interest of controlled corporation	H shares	Long position	4,939,000	8.99	2.50
Beijing Beida Founder Group Corporation Note 2	Interest of controlled corporation	H shares	Long position	4,939,000	8.99	2.50
Beijing University New Technology Corporation Note 2	Interest of controlled corporation	H shares	Long position	4,939,000	8.99	2.50
Beijing University Note 2	Interest of controlled corporation	H shares	Long position	4,939,000	8.99	2.50
CITICITI Ltd. Note 3	Interest of controlled corporation	H shares	Long position	4,939,000	8.99	2.50
Xia Jie Note 3	Interest of controlled corporation	H shares	Long position	4,939,000	8.99	2.50
Yue Shan International Limited Note 4	Interest of controlled corporation	H shares	Long position	4,939,000	8.99	2.50
Cao Yawen Note 4	Interest of controlled corporation	H shares	Long position	4,939,000	8.99	2.50

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES *(Continued)*

Note:

1. Leshi Internet Information & Technology Investment Co., Ltd. owns 19,533,000 H shares of the Company, approximately amounting to 9.9% of the total issued share capital (35.58% of the total issued H shares) of the Company. Jia Yueting owns 44% of the capital in Leshi Internet Information & Technology Investment Co., Ltd. Therefore Jia Yueting is deemed under the SFO to be interested in the 19,533,000 H shares registered in the name of Leshi Internet Information & Technology Investment Co., Ltd.

2. Founder Investment (HK) Ltd. owns 4,939,000 H shares of the Company, approximately amounting to 2.5% of the total issued share capital (8.99% of the total issued H shares) of the Company. Beijing University directly owns 100% of Beijing University New Technology Corporation, which directly owns 100% of Beijing Beida Founder Group, which directly owns 80% of Beijing University Founder Investment Co. Ltd., which in turn owns 51% of Founder Investment (HK) Ltd. Therefore Beijing University, Beijing University New Technology Corporation, Beijing Beida Founder Group and Beijing University Founder Investment Co. Ltd. are deemed under the SFO to be interested in the 4,939,000 H shares registered in the name of Founder Investment (HK) Ltd.

3. Founder Investment (HK) Ltd. owns 4,939,000 H shares of the Company, approximately amounting to 2.5% of the total issued share capital (8.99% of the total issued H shares) of the Company. Xia Jie indirectly owns 49% of Founder Investment (HK) Ltd. through CITICITI Ltd., which is directly 100% owned by Xia Jie. Therefore Xia Jie is deemed under the SFO to be interested in the 4,939,000 H shares registered in the name of Founder Investment (HK) Ltd.

4. Yue Shan International Limited, as beneficiary of a trust, is interested in 4,939,000 H shares of the Company, approximately amounting to 2.5% of the total issued share capital (8.99% of the total issued H shares) of the Company. Cao Yawen directly owns 100% of Yue Shan International Limited and is therefore deemed under the SFO to be interested in the 4,939,000 H shares registered in the name of Founder Investment (HK) Ltd.

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 executives of the Company, as at 31 December 2017, 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 2017, 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 2017 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 2017.

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 EXECUTIVES' RIGHT IN THE SUBSCRIPTION OF SHARES OR DEBENTURES

During the Reporting Period, none of the Directors, Supervisors and chief executives 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.44 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 EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2017, none of Directors, Supervisors or chief executives 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 2017, 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 31 March 2017, (i) due to adjustment of work arrangement, Mr. Duan Gang resigned from the positions as an executive Director of the 6th session of the Board and executive vice president of the Company and Mr. Li Xiaobing and Mr. Wang Lin resigned from the positions as non-executive Directors of the 6th session of the Board; and (ii) due to adjustment of work arrangement, Mr. Tian Kewu resigned from the positions as a shareholder representative Supervisor and chairman of the 6th session of the Supervisory Committee. Please refer to the announcement dated 31 March 2017 published by the Company for details.

Upon the approval at the 7th meeting of the 6th session of the Board convened on 31 March 2017, Mr. Peng Liang was appointed as the executive vice president of the Company. Please refer to the announcement dated 31 March 2017 published by the Company for details.

Upon the approval at the 7th meeting of the 6th session of the Board convened on 31 March 2017, Mr. Wu Changqi, an independent non-executive Director, was appointed as a member of the Audit Committee of the 6th session of the Board. Please refer to the announcement dated 31 March 2017 published by the Company for details.

Upon the approval at the annual general meeting of the Company convened on 30 June 2017, Ms. Yang Wenjian was appointed as the executive Director of the 6th session of the Board and Ms. Zang Furong and Mr. Wu Bin were appointed as the non-executive Directors of the 6th session of the Board; and Mr. Zhang Zhibing was appointed as a shareholder representative Supervisor of the 6th session of the Supervisory Committee. Please refer to the announcement dated 30 June 2017 published by the Company for details.

Mr. Wu Tak Lung was appointed as an independent non-executive director of Olympic Circuit Technology Co., Ltd (廣東世運電路科技有限公司) on 26 May 2017, an independent non-executive director of Sinotrans Shipping Limited (中外運航運有限公司) on 5 July 2017, and an independent non-executive director of Henan Jinma Energy Company Limited (河南金馬能源股份有限公司) on 18 September 2017. Mr. Wu Tak Lung resigned from his position as independent non-executive director of Huarong Investment Stock Corporation Limited (華融投資股份有限公司) on 13 September 2017.

Ms. Yang Wenjian was appointed as the executive vice president of the Company on 24 August 2017.

Upon the approval at the 13th meeting of the 6th session of the Board convened on 20 November 2017, Mr. Peng Liang ceased to serve concurrently as the chief financial officer of the Company, Ms. Li Xin was appointed as the chief financial officer of the Company. Due to change in duties, Ms. Li Xin ceased to serve as an employee representative Supervisor. Please refer to the announcement of the Company dated 20 November 2017 for details.

After the employee representative supervisor election held on 5 December 2017, Ms. Zhang Bo was elected as an employee representative Supervisor.

CHANGES OF MEMBERS OF THE BOARD AND THE SUPERVISOR COMMITTEE *(Continued)*

Upon the approval at the 15th meeting of the 6th session of the Board convened on 17 January 2018, Mr. Yu Haibo resigned from the positions as the Company's president, executive Director of the 6th session of the Board and vice chairman of the Board, and Mr. Li Xiaobing was appointed as the president of the Company. Please refer to the announcement of the Company dated 17 January 2018 for details.

Ms. He Xiaona resigned from the positions as executive Director and executive vice president of the Company on 29 March 2018.

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 the 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 2017, the Audit Committee comprises three independent non-executive Directors.

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 2017 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 2017, the bank borrowings of the Group was RMB30,000 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 floor, and the whole of 23rd floor 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 the 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 RMB4,847,595. 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 RMB1,719,446.

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 wraparound 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 RMB187,664.

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 the Hong Kong Stock Exchange and the Company, respectively, and circular dated 11 December 2015 published 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 of advertising placement fee payable by the Parent to the Company was RMB50,000,000 and the actual amount paid was RMB188,679. The annual cap of advertising placement fee payable by the Company to the Parent was RMB50,000,000 and the actual amount paid was RMB1,701,113.

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 comphance 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 the 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 RMB12,012,364.

CONNECTED TRANSACTIONS *(Continued)*

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

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 considerations 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 the Hong Kong Stock Exchange and the Company.

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 RMB11,074,042.

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 2017 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.

CONNECTED TRANSACTIONS *(Continued)*

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 the 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 2017, 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 19% of the employees' basic salaries for the year ended 31 December 2017(2016: 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 2017, the Group had a total of 412 staff members (31 December 2016: 567). The decrease in the number of the staff as compared with 2016 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. For the 12 months ended 31 December 2017, the Group's employee remuneration amounted to approximately RMB71,065 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 2017, 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.

REMUNERATION POLICY *(Continued)*

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 2017 that WUYIGE Certified Public Accountants LLP was appointed as the auditor of the Company for the year 2017, 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 2017 prepared in accordance with the China Accounting Standards were audited by WUYIGE Certified Public Accountants LLP, which has been serving as the auditor of the Company since 2017.

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

29 March 2018
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 2017.

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 2017.

4. THE BOARD

Set forth below are the composition of the Board and relevant information as at 31 December 2017:

Name	Gender	Age	Other positions in the Company	Term of directorship	Remunerated by the Company
Executive Directors					
Zhang Yanping	M	60	Chairman	30 June 2016 to the annual general meeting of the Company for 2018	No
Yu Haibo Note 1	M	45	Vice chairman, president	30 June 2016 to 17 January 2018	No
He Xiaona Note 2	F	55	Executive vice president	30 June 2016 to the annual general meeting of the Company for 2018	No
Yang Wenjian Note 3	F	47	Executive vice president	30 June 2017 to the annual general meeting of the Company for 2018	No
Peng Liang Note 4	M	45	Executive vice president	30 June 2016 to the annual general meeting of the Company for 2018	No
Shang Da	M	56	Vice president	30 June 2016 to the annual general meeting of the Company for 2018	Yes
Non-executive Directors					
Zang Furong Note 3	F	57		30 June 2017 to the annual general meeting of the Company for 2018	No
Wu Bin Note 3	M	49		30 June 2017 to the annual general meeting of the Company for 2018	No
Xu Xun	M	62		30 June 2016 to the annual general meeting of the Company for 2018	Yes
Liu Hong	M	44		30 June 2016 to the annual general meeting of the Company for 2018	Yes
Independent Non-executive Directors					
Wu Tak Lung	M	52		30 June 2016 to the annual general meeting of the Company for 2018	Yes
Cui Enqing	M	74		30 June 2016 to the annual general meeting of the Company for 2018	Yes
Chen Ji	M	66		30 June 2016 to the annual general meeting of the Company for 2018	Yes
Wu Changqi	M	63		30 June 2016 to the annual general meeting of the Company for 2018	Yes
Chow Bing Chuen	M	51		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 15th meeting of the 6th session of the Board convened on 17 January 2018, Mr. Yu Haibo resigned from the positions as the Company's president, executive Director of the 6th session of the Board and vice chairman of the Board, and Mr. Li Xiaobing was appointed as the president of the Company. Please refer to the announcement of the Company dated 17 January 2018 for details.

2. Ms. He Xiaona resigned from the positions of the executive vice president and executive Director due to the reach at the retirement age on 29 March 2018.

3. Upon the approval at the Annual General Meeting of the Company convened on 30 June 2017, Ms. Yang Wenjian was appointed as an executive Director of the 6th session of the Board, and Ms. Zang Furong and Mr. Wu Bin were appointed as the non-executive Directors of the 6th session of the Board. Please refer to the announcement of the Company dated 30 June 2017 for details. Upon the approval at the 12th meeting of the 6th session of the Board convened on 24 August 2017, Ms. Yang Wenjian was appointed as executive vice president of the Company.

4. Upon the approval at the 7th meeting of the 6th session of the Board convened on 31 March 2017, Mr. Peng Liang was appointed as the executive vice president of the Company.

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

4. THE BOARD *(Continued)*

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.

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

A total of ten Board meetings were convened during the year of 2017, and the attendance rate of individual Directors at Board meetings is as follows:

	Attendance in person *(times)*	**Attendance by proxy** *(times)*
Executive Directors		
Zhang Yanping	10	–
Yu Haibo	9	1
He Xiaona	9	1
Yang Wenjian Note 1	4	–
Peng Liang	10	–
Duan Gang Note 2	2	–
Shang Da	10	–
Non-executive Directors		
Li Xiaobing Note 3	2	–
Wang Lin Note 4	2	–
Zang Furong Note 5	4	–
Wu Bin Note 6	4	–
Xu Xun	9	1
Liu Hong	8	2
Independent Non-executive Directors		
Wu Tak Lung	10	–
Cui Enqing	9	1
Chen Ji	10	–
Wu Changqi	9	1
Chow Bing Chuen	9	1

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 the approval at the 2016 annual general meeting of the Company, Ms. Yang Wenjian was appointed as the executive Director of the 6th session of the Board. Ms. Yang has attended four Board meetings of the Company convened during her tenure of service during the year ended 31 December 2017.

2. Due to adjustment of work arrangement, Mr. Duan Gang, a Director of the 6th session of the Board, resigned from the positions as an executive Director of the 6th session of the Board and executive vice president of the Company on 31 March 2017. Mr. Duan has attended two Board meetings of the Company convened during his tenure of service during the year ended 31 March 2017.

4. THE BOARD *(Continued)*

Notes: *(Continued)*

3. Due to adjustment of work arrangement, Mr. Li Xiaobing, a Director of the 6th session of the Board, resigned from the position as a non-executive Director of the 6th session of the Board on 31 March 2017. Mr. Li has attended two Board meetings of the Company convened during his tenure of service during the year ended 31 March 2017.

4. Due to adjustment of work arrangement, Mr. Wang Lin, a Director of the 6th session of the Board, resigned from the position as a non-executive Director of the 6th session of the Board on 31 March 2017. Mr. Wang has attended two Board meetings of the Company convened during his tenure of service during the year ended 31 March 2017.

5. Upon approval at the 2016 annual general meeting of the Company, Ms. Zang Furong was appointed as a non-executive Director of the 6th session of the board of directors. Ms. Zang has attended four Board meetings of the Company convened during her tenure of service during the year ended 31 December 2017.

6. Upon approval at the 2016 annual general meeting of the Company, Mr. Wu Bin was appointed as a non-executive Director of the 6th session of the Board. Mr. Wu has attended four Board meetings of the Company convened during his tenure of service during the year ended 31 December 2017.

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)*

One general meeting of the Company was convened during the year of 2017, 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	1	–
Yu Haibo	1	–
He Xiaona	1	–
Yang Wenjian Note 1	–	–
Peng Liang	1	–
Duan Gang Note 2	–	–
Shang Da	1	–
Non-executive Directors		
Li Xiaobing Note 3	–	–
Wang Lin Note 4	–	–
Zang Furong Note 5	–	–
Wu Bin Note 6	–	–
Xu Xun	–	1
Liu Hong	–	1
Independent Non-executive Directors		
Wu Tak Lung	1	–
Cui Enqing	1	–
Chen Ji	1	–
Wu Changqi	–	1
Chow Bing Chuen	1	–

Notes:

1. Ms. Yang Wenjian was appointed as an executive Director of the 6th session of the Board at the 2016 annual general meeting of the Company on 30 June 2017. No general meeting of the Company was convened during her tenure of office.
2. Due to adjustment of work arrangement, Mr. Duan Gang resigned from the positions as an executive Director of the 6th session of the Board and executive vice president of the Company on 31 March 2017. No general meeting of the Company was convened during the three months ended 31 March 2017.
3. Due to adjustment of work arrangement, Mr. Li Xiaobing resigned from the position as an non-executive Director of the 6th session of the Board on 31 March 2017. No general meeting of the Company was convened during the three months ended 31 March 2017.
4. Due to adjustment of work arrangement, Mr. Wang Lin resigned from the position as an non-executive Director of the 6th session of the Board on 31 March 2017. No general meeting of the Company was convened during the three months ended 31 March 2017.
5. Ms. Zang Furong was approved to be appointed as the non-executive Director of the 6th session of the Board at the 2016 annual general meeting convened on 30 June 2017. No general meeting of the Company was convened during her tenure of office.
6. Mr. Wu Bin was approved to be appointed as the non-executive Director of the 6th session of the Board at the 2016 annual general meeting convened on 30 June 2017. No general meeting of the Company was convened during his tenure of office.

5. CHAIRMAN AND PRESIDENT

During the Reporting Period, Mr. Zhang Yanping and Mr. Yu Haibo took the positions of chairman and president of Beijing Media respectively.

Upon the approval at the 15th meeting of the 6th session of the Board convened on 17 January 2018, Mr. Yu Haibo resigned from the positions as the Company's president, executive Director of the 6th session of the Board and vice chairman of the Board, and Mr. Li Xiaobing was appointed as the president of the Company. Please refer to the announcement of the Company dated 17 January 2018 for details.

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 three independent non-executive Directors. 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.44 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 2017, 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 Enqing	2	–
Chen Ji	2	–
Wu Changqi	2	–

The Remuneration Committee held a meeting on 26 January 2017, considered and approved the resolution on annual bonus for executive Directors.

The Remuneration Committee held a meeting on 8 December 2017, considered and approved the resolution on the proposed annual salary of Ms. Li Xin of RMB306,000 (before tax) for acting as the chief financial officer of the Company.

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)*

Three meetings of the Nomination Committee were convened during 2017, 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	3	–
Chen Ji	3	–
Wu Changqi	3	–

The Nomination Committee of the Company held a meeting on 30 March 2017, considered and approved the nomination of Ms. Yang Wenjian as candidate for executive Director of the 6th session of the board of directors of the Company; nomination of Ms. Zang Furong and Mr. Wu Bin as candidates for non-executive Directors of the 6th session of the board of directors of the Company; nomination of Mr. Peng Liang as candidate for the executive vice president of the Company; and nomination of Ms. Yang Wenjian as candidate for the executive vice president of the Company.

The Nomination Committee held a meeting on 22 August 2017, considered and approved the resolution on the nomination of Ms. Yang Wenjian as candidate for the executive vice president of the Company.

The Nomination Committee held a meeting on 17 November 2017, considered and approved the resolution on the nomination of Ms. Li Xin as candidate for the chief financial officer of the Company.

9. REMUNERATION OF THE AUDITOR

The Company appointed WUYIGE Certified Public Accountants LLP as the auditor for the year 2017. For the year ended 31 December 2017, annual fees for the audit services provided by WUYIGE Certified Public Accountants LLP to the Company amounted to RMB1,800 thousand. The fees for providing special accounting services to the Group amounted to RMB0. WUYIGE Certified Public Accountants LLP has been providing audit service for the Company since 2017.

10. AUDIT COMMITTEE

The Board has set up an Audit Committee comprising three non-executive Directors. The Audit Committee was chaired by Mr. Wu Tak Lung, with Mr. Wu Changqi and Mr. Chow Bing Chuen as members.

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

- to be responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and 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 2017, 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.

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

10. AUDIT COMMITTEE *(Continued)*

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 2016;
- reviewed and considered the results of the Group for the first half of 2017;
- 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 three meetings of the Audit Committee were convened during 2017, 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	3	–
Li Xiaobing Note	1	–
Wu Changqi Note	2	–
Chow Bing Chuen	3	–

Note:

On 31 March 2017, Mr. Li Xiaobing resigned from his position as a member of the Audit Committee, and upon the approval at the 7th meeting of the 6th session of the Board convened on the same day, Mr. Wu Changqi was appointed as a member of the Audit Committee of the 6th session of the Board. Please refer to the announcement of the Company dated 31 March 2017 for details.

The Audit Committee of the Company held a meeting on 31 March 2017, considered and approved the resolution to pay audit fees for the year 2016 (RMB1.78 million for annual audit and RMB 20,000 for reporting on continuing connected transactions) to ShineWing Certified Public Accountants (Special General Partnership); and resolution in relation to the reappointment of ShineWing Certified Public Accountants (Special General Partnership) as auditor for Beijing Media for the year 2017.

The Audit Committee of the Company held a meeting on 13 June 2017, considered and approved the resolution in relation to the non-reappointment of ShineWing Certified Public Accountants (Special General Partnership) as the auditor of the Company; and resolution in relation to the appointment of WUYIGE Certified Public Accountants LLP as auditor of the Company for the year 2017.

10. AUDIT COMMITTEE *(Continued)*

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 2017.

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 2017, 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 SHAREHOLDER

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 business.

Pursuant to the Articles of Association, an extraordinary general meeting shall be convened within two months upon request in writing by Shareholders holding singly 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

Upon the approval at the annual general meeting of the Company convened on 30 June 2017, several amendments have been made to the Articles of Association, 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 announcements of the Company dated 31 March and 30 June 2017 and circular despatched on 31 May 2017 published on the websites of the Hong Kong Stock Exchange and the Company for details.

Save as disclosed above, there was no material amendment to the Articles of Association during the year ended 31 December 2017. On 29 March 2018, the Board proposed to make certain revisions to the Articles of Association, so as to reflect changes in the Company's business scope. Please refer to the announcement of the Company dated 29 March 2018 published on the websites of the Hong Kong Stock Exchange and the Company for details.

13. INVESTOR RELATIONS *(Continued)*

(2) General meetings

During the Reporting Period, the Company convened one general meeting.

(i) The 2016 annual general meeting was held at 2:30 p.m. on 30 June 2017 at 21st Floor, Beijing Youth Daily Agency, Chaoyang District, Beijing, the PRC, where resolutions in relation to the amendments to the Articles of Association of the Company, the report of the Board for the year ended 31 December 2016, the report of the Supervisory Committee for the year ended 31 December 2016, the audited financial statements of the Company for the year ended 31 December 2016, the change of auditors of the Company for the year 2017, the appointment of executive Directors, non-executive Directors, and shareholder representative Supervisors were considered and approved. Please refer to the announcement of the Company dated 30 June 2017 for details.

(3) Important matters for Shareholders for the financial year of 2017

The 2017 annual general meeting of the Company will be held at 2:30 p.m. on 28 June 2018 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 2017 were HKD4.40 and HKD2.88 per share respectively. On 29 December 2017 (the last trading day in 2017), the transaction volume was 82,500 shares and the closing price was HKD3.40 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.

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

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.

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 monitors 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 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.

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

- 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 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.

  The capital risk and competition strategy risks were the major risks for 2017. Regarding the capital risk, the trend of the industry in 2017 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 2017 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.

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

- Review of the effectiveness of risk management and internal control

  During the year ended 31 December 2017, 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 2017, 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.

  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.

15. CORPORATE GOVERNANCE *(Continued)*

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 2016, 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 2017

On 31 March 2017, Mr. Tian Kewu resigned from his positions as a shareholder representative Supervisor and the chairman of the Supervisory Committee. Please refer to the announcement dated 31 March 2017 published by the Company for details.

Upon the approval at the annual general meeting of the Company convened on 30 June 2017, Mr. Zhang Zhibing was appointed as a shareholder representative Supervisor. Please refer to the announcement dated 30 June 2017 published by the Company for details. On the same day, upon the approval at the third meeting of the 6th session of the Supervisor Committee, Mr. Zhang Zhibing was appointed as the chairman of the Supervisory Committee.

On 20 November 2017, Ms. Li Xin ceased to be an employee representative Supervisor due to work adjustment. The Supervisory Committee resolved to nominate Ms. Zhang Bo as an employee representative supervisor of the sixth session of the Supervisory Committee. Please refer to the announcement dated 20 November 2017 published by the Company for details. Ms. Zhang Bo was elected as an employee representative Supervisor at the employee representatives general meeting of the Company convened on 5 December 2017.

Save as disclosed above, there was no other changes in members of the Supervisory Committee during the Reporting Period.

2. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY IN 2017

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.

2. **INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY IN 2017** *(Continued)*

(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.

(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
29 March 2018

The Company considers that sound environmental, social and governance performance is crucial to maintaining the Company's future sustainability, achieving long-term objectives and creating long-term value for shareholders. Being an enterprise for cultural publicity, the Company serves the community as its mission and closely monitors its efforts of corporate social responsibility and sustainability. Environmental protection, community welfare and governance are not only the Company's display of support and care to various parties, but also an important assurance for achieving sustainable development, growth strategies, objectives and enhancing quality and efficiency. While steadily improving its financial performance, the Company firmly bears in mind the fundamental attributes of a cultural enterprise and takes an active approach in creating value, expanding market and optimising business model. Incorporating corporate social responsibilities into its business operation and development, the Company strives to make common progress and grow together with its customers, employees, shareholders and the community.

This report has been prepared in accordance with Appendix 27 "Environmental, Social and Governance Reporting Guide" to the Listing Rules.

EMISSIONS

The Company belongs to media advertising industry, which does not involve manufacturing and is thus a low-polluting industry. During its business management, the Company requires all departments to study and strictly implement the Environmental Protection Law of the 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 Company pays more attention to global warming, and committed to reducing greenhouse gas emissions and reducing the impact on climate change during operations. During the Reporting Period, the total carbon dioxide emissions from the greenhouse gas generated by the Company was approximately 7,557 tons (calculation of carbon dioxide emissions is based on the "Reporting Guidance on Environmental KPIs" published by the Hong Kong Stock Exchange), density of 18.34 tons per capita, including electricity and gasoline consumption.

The Company adheres to the principle of waste management. All our waste management related to our production and operations are in compliance with relevant laws and regulations.

We implement the concept of green office, such as promoting double-sided photocopying, encouraging the use of recycled paper, paperless office, and e-filing etc.

USE OF RESOURCES

Saving energy and reducing consumption not only optimize the environment but also reduce the cost of the Company. Therefore, the Company has taken effective measures to reach effective utilization of resources to reduce wastage. The Company has 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 when holding on-site events and exhibitions.

During the Reporting Period, the Company's electricity consumption was approximately 2,239,493 kWh with a density of approximately 5,436 kWh per capita; water consumption was approximately 18,399 tons and density of approximately 45 tons per capita; gasoline consumption was approximately 2,810 liters, and density of approximately 7 liters per capita.

During the course of operations, the Company implemented a number of measures, such as turning off lights and electrical appliances in idle rooms, and power consumption has been successfully reduced during the Company's operations. In order to build the awareness on water conservation, save water signs are placed in the pantries and lavatories to remind our employees not to waste water. The Company also advocates reuse of water for non-edible purposes, for example, watering plants or cleaning floor with the same water used for washing produce, etc. Satisfactory results were achieved after implementation of the above measures, as the Company's water consumption in 2017 was reduced by 20% as compared with the previous year, and electricity consumption was reduced by 8% as compared with the previous year.

ENVIRONMENT AND NATURAL RESOURCES

Although core business of the Company has remote impact on the environment and natural resources, as a good company, the Company promises to minimize the negative environmental impact of our business operations and our investment, in order to achieve sustainable development.

The Company regularly evaluates the environment risks of its business, reviews environmental practices and adopts necessary precautions to reduce risks and ensure in compliance with relevant laws and regulations.

STAFF HEALTH AND TRAINING, WORKING ENVIRONMENT AND SAFETY

As at 31 December 2017, the Company had a total number of 412 employees (2016: 567).

BY age and gender:

	Gender		
Age	**Male**	**Female**	**turnover rate (%)**
30 years old or below	81	136	34.10
31-40 years old	47	38	85.88
41-50 years old	43	50	3.23
51 years old or above	13	4	29.41
Total	184	228	–

During the Reporting Period, the Company has strictly followed the requirements of the laws and regulations including 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, and 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 ensure 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, and 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 gender, 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 offering 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 of the PRC. If employees plan to leave office, 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.

As for the health and safety 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 and reminds them of prevention of physical illness. At the same time, the Company has also set up a staff clinic, so that the employees can go to the clinic to do health consultation, receive the obligatory protection and simple disease treatment. 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, and has launched a variety of userfriendly arrangements and leisure activities for the staff, 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 (including 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 and rest hour system of 8 working hours a day, 40 working hours a week and 2 rest hours at noon, and it also provides free lunch for its employees.

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 special short working hour system for the lactation period.

The Company attaches great importance to the opinions of employees and the union and has built a formal monitoring and management channel to maximise the interest of employees. The Company cares for the employees and has established a system to care for those employees in distress and sickness. During the Reporting Period, the Company organised various cultural and sports activities to promote its corporate culture and enrich the cultural life of its employees.

SUPPLY CHAIN MANAGEMENT

Suppliers are our joint development partners. We are obliged to pass on the information and requirements of environmental protection and social responsibility to them, and we expect that suppliers can keep pace with us in this regard. Therefore, we establish a supplier selection and evaluation system and require suppliers to comply with our environmental safety requirements that we require. In respect of products and services, we require suppliers to provide products and services that meet quality, environmental, safety and health requirements. We regularly evaluate the suppliers' compliance with the Code and evaluate annually whether the suppliers' products and services meet our requirements, to ensure that the suppliers' performances meet our expectations.

PRODUCT LIABILITY

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, prohibited themselves from compensated news and false news, ensured the quality of production services, while did not produce, endorse or disseminate false advertisement, in order to spread positive energy, and pursue a healthy and progressive cultural taste.

The Company has a professional team and 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 questions 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.

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 arrange relevant responsible persons to strictly keep confidentiality of all the confidential materials and information, who without being authorized, shall not expand the scope of insiders. Meanwhile, they shall do proper work of keeping the confidential materials and information, and shall not allow confidential materials and information to be leaked out due to poor management. Without being authorized, they shall not duplicate, copy, circulate and copy confidential documents and data.

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

ANTI-CORRUPTION

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, which describes 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 also 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 in production and management, so as to reduce the risks of malpractice and corruption in all phases.

COMMUNITY INVESTMENT

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 has enlarged its educational, healthy influences on the general public through organizing charity events.

"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
"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 Huilin"	Chongqing Huilin Equity Fund (Limited Partnership)（重慶慧林股權投資基金合夥企業（有限合夥））, a limited partnership enterprise incorporated under the laws of 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
"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 2017
"SFO"	Securities and Futures Ordinance, Chapter 571 of Hong Kong Laws
"Shareholder(s) "	The shareholder(s) of the Company
"Supervisor(s)"	The supervisor(s) of the Company
"Supervisory Committee"	The supervisory committee of the Company

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DAXIN SHEN ZI [2018] No. 2-00229

To all Shareholders of Beijing Media Corporation Limited:

I. OPINION

We have audited the financial statements of Beijing Media Corporation Limited (hereafter referred to as" the Company"), which comprise the consolidated and the Company's balance sheets as at 31 December 2017, the consolidated and the Company's statements of income, the consolidated and the Company's statements of cash flows and the consolidated and the Company's statements of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. BASIS FOR OPINION

We conducted our audit in accordance with Chinese Certified Public Accountants Auditing Standards. 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 the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants and have fulfilled our other ethical responsibilities in accordance with the Code.

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

A. Impairment of Accounts receivable

1. The Matter

As of 31 December 2017, as described in notes to the financial statement VIII.3, VIII.6, the ending balance of accounts receivable is RMB 626,318 thousand, the amount of bad debt provision is RMB 152,139 thousand, the net value is RMB 474,179 thousand, the ending balance and book value of accounts receivable are material. if the accounts receivable of Company are failed to repaid on schedule or are unable to be repaid, which leading the occurrence of bad debts and a significant impact on financial statement, for this reason we identified the bed debts provision as an key item of audit.

2. Audit response

the procedures we conducted to measure the impairment of accounts receivable, mainly includes:

1) Evaluate and test of the effectiveness of the design and operation of the internal control related to the credit policy and the accounts receivable management of your Company;

2) Analyze the reasonableness of the accounting estimate of the Company's bad debt provision for accounts receivable, including the basis for determining the composition of accounts receivable, the judgment of significant amount, and the judgment of the separate provision of bad debts;

3) Analyze and calculate the ratio between the provision for bad debts and the ending balance of accounts receivable on the balance sheet date, compare the amount of the bad debt provision and the actual loss, and analyze the adequacy of the provision for bad debts;

4) Assess the rationality of provision for bad debts of accounts receivable by analysing the aging and customer payment of accounts receivable, conducting analysis procedures, and obtaining relevant receivable data of major customer;

5) Obtain the company's statement of bad debt provision, check the method with the Company's policy of bad debt, and recalculate the provision of the bad debt to verify appropriateness;

6) Verify the existence of accounts receivable by implementing the audit enquiry to the customers who have the large amount of accounts receivable.

B. Impairment of goodwill

1. The Matter

As of 31 December 2017, as described in notes VIII.14 to the financial statements, the balance of goodwill in the consolidated financial statements is 47,377 thousand, and the provision of impairment of goodwill is approximately RMB 16,947 thousand, the net value is RMB 30,430 thousand. According to the Accounting Standards for Business Enterprises, the company needs to conduct impairment test for goodwill every fiscal year. Based on the evaluation result by external experts, the Company accrued impairment of goodwill amounting to RMB 4,947 thousand in 2017 which has a significant impact on financial statement. Due to the complex of evaluation procedures of impairment test of goodwill, the evaluations highly depend on judgments especially the identification of recoverable amounts. The assumptions applied in the evaluations include but not limited the prediction of future earnings and cash flow discount rate of acquired subsidiaries and may change when affected by the future domestic and international market and economic environment. Therefore, we identified the impairment of goodwill as a key item of audit.

2. Audit response

The procedures we conducted to measure the impairment of goodwill, mainly includes:

1) Evaluate the identification of goodwill's asset group and the key assumptions and methods adopted by management to identify, including, but not limited to, the determination of recoverable amount and the reasonableness of the prediction of future earnings and cash flow discount rate of acquired subsidiaries.

2) Discussed with the external valuation expert appointed by the Company to see if the assumptions which were most sensitive to the results of the impairment test were reasonable and that the assumptions and disclosures adopted by the management were appropriate.

IV. OTHER INFORMATION

The management of the Company are responsible for the other information. The other information comprises all of the information included in the annual report of 2017 other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF THE SENIOR MANAGEMENT AND THE BOARD OF DIRECTORS ON THE FINANCIAL STATEMENTS

The management is responsible for the preparation of financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company'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 the management either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The board of directors are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the 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 detect a material misstatement when it exists. 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 judgement and maintain professional scepticism throughout the audit. We also:

A. 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.

B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

D. Conclude on the appropriateness of the 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 the Company'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 the financial statements or, if such disclosures are inadequate, 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 the Company to cease to continue as a going concern.

E. 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.

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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.

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.

Certified Public Accountant of China:
(Project partner)

Certified Public Accountant of China:

China. Beijing
Date: March 29, 2018

As at 31 December 2017

RMB'000

Item	*Notes*	**At as 31 December 2017**	As at 31 December 2016
Current assets:			
Bank balances and cash	*VIII.1*	**363,820**	214,527
Notes receivable	*VIII.2*	**1,666**	–
Accounts receivable	*VIII.3*	**301,232**	422,045
Prepayments	*VIII.4*	**8,886**	54,446
Interest receivable	*VIII.5*	**421**	182
Other receivables	*VIII.6*	**172,947**	311,297
Inventories	*VIII.7*	**36,288**	28,117
Non-current assets due within one year		**–**	1,060
Other current assets	*VIII.8*	**42,296**	39,783
Total current assets		**927,556**	1,071,457
Non-current assets:			
Financial assets available-for-sale	*VIII.9*	**160,896**	165,746
Long-term equity investment	*VIII.10*	**34,596**	37,756
Investment properties	*VIII.11*	**156,909**	104,656
Fixed assets	*VIII.12*	**5,859**	8,499
Intangible assets	*VIII.13*	**32,280**	35,099
Goodwill	*VIII.14*	**30,430**	35,377
Long-term prepaid expenses		**141**	494
Deferred income tax assets	*VIII.15*	**17,727**	15,161
Other non-current assets	*VIII.16*	**28,990**	26,590
Total non-current assets		**467,828**	429,378
Total assets		**1,395,384**	1,500,835

As at 31 December 2017

RMB'000

Item	Notes	At as 31 December 2017	As at 31 December 2016
Current liabilities:			
Notes payable	VIII.18	**31,970**	51,188
Account payable	VIII.19	**30,109**	78,916
Receipts advance	VIII.20	**30,067**	39,031
Employee benefit payables	VIII.21	**8,060**	8,882
Tax payables	VIII.22	**5,049**	5,730
Interest payables		**–**	25
Other payables	VIII.23	**50,129**	45,191
Non-current liabilities due within one year		**–**	5,500
Other current liabilities	VIII.24	**1,076**	1,609
Total current liabilities		**156,460**	236,072
Non-current liabilities:			
Long-term loan	VIII.25	**30,000**	–
Deferred income tax liabilities	VIII.15	**8,350**	4,514
Total non-current liabilities		**38,350**	4,514
Total liabilities		**194,810**	240,586
Shareholders' equity:			
Share capital	VIII.26	**197,310**	197,310
Capital reserves	VIII.27	**934,421**	923,193
Other comprehensive income	VIII.28	**(1)**	71
Surplus reserves	VIII.29	**130,931**	130,931
Undistributed profits	VIII.30	**(121,797)**	(36,546)
Total equity attributable to shareholders of the Company		**1,140,864**	1,214,959
Non-controlling interest	VIII.31	**59,710**	45,290
Total shareholders' equity		**1,200,574**	1,260,249
Total liabilities and shareholders' equity		**1,395,384**	1,500,835
Net current assets		**771,096**	835,385
Total assets less current liabilites		**1,238,924**	1,264,763

For the year ended 31 December 2017

RMB'000

Item	*Notes*	**For the year ended 31 December 2017**	For the year ended 31 December 2016
Total operating revenue	*VIII.32*	**426,708**	483,306
Total operating costs		**548,529**	601,399
Operating cost	*VIII.32*	**378,758**	409,320
Tax and surcharges	*VIII.33*	**6,685**	8,155
Selling expenses		**49,209**	64,592
Administrative expenses		**45,299**	62,165
Financial expenses	*VIII.34*	**(244)**	(3,443)
Impairment loss of assets	*VIII.35*	**68,822**	60,610
Add: Profit/(loss) on the changes in fair value	*VIII.36*	**46,291**	21,121
Investment income	*VIII.37*	**(20,648)**	23,608
Including: Gain from investments in associates	*VIII.37*	**(2,181)**	(17,017)
Gain on disposal of asset	*VIII.38*	**245**	136
Other income	*VIII.39*	**195**	–
Operating profit		**(95,738)**	(73,228)
Add: non-operating income	*VIII.40*	**96**	3,347
Less: non-operating expenses	*VIII.41*	**725**	43
Total profit		**(96,367)**	(69,924)
Less: Income tax expenses	*VIII.42*	**3,210**	950
Net profit		**(99,577)**	(70,874)
Net profit attributable to:			
Shareholders of the Company		**(85,251)**	(58,838)
Non-controlling shareholders		**(14,326)**	(12,036)
Net profit from continuing operations		**(99,577)**	(70,874)

RMB'000

Item	Notes	For the year ended 31 December 2017	For the year ended 31 December 2016
Other net comprehensive income after tax	*VIII.28*	**(98)**	66
Other net comprehensive income after tax attributable to shareholders of the Company		**(72)**	40
Including: Other comprehensive income subsequently reclassified into profit or loss	*VIII.48*	**(72)**	40
Including: Items attributable to investees under equity method subsequently reclassified to profit or loss		**(31)**	–
Exchange differences from retranslation of financial statements		**(41)**	40
Other net comprehensive income after tax attributable to non-controlling shareholders		**(26)**	26
Total comprehensive income		**(99,675)**	(70,808)
Total comprehensive income attributable to shareholders to the Company		**(85,323)**	(58,798)
Total comprehensive income attributable to non-controlling shareholders		**(14,352)**	(12,010)
Earnings per share			
Basic earnings per share (RMB)	*XVII.2*	**(0.43)**	(0.30)
Diluted earnings per share (RMB)	*XVII.2*	**(0.43)**	(0.30)
Dividends	*VIII.46*	**–**	–

RMB'000

Item	Notes	For the year ended 31 December 2017	For the year ended 31 December 2016
1. Cash flows from operating activities:			
Cash flows from operating activities:		**464,870**	350,628
Tax refund received		**–**	15
Other cash receipt related to operating activities		**16,336**	21,329
Sub-total of cash inflows from operating activities		**481,206**	371,972
Cash paid for goods purchased and services received		**350,404**	320,743
Cash paid to and on behalf of employees		**71,065**	87,003
Payments of taxes and surcharges		**14,619**	25,994
Other cash payments relating to operating activities		**61,869**	69,524
Sub-total of cash outflows from operating activities		**497,957**	503,264
Net cash used in operating activities	*VIII.49*	**(16,751)**	(131,292)
2. Cash flows from investment activities			
Cash received from sales of investments		**100,530**	–
Cash received from returns on investments		**3,756**	344
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**448**	52
Other cash receipt relating to investing activities		**52,609**	121,295
Sub-total of cash inflows from investing activities		**157,343**	121,691
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**764**	1,788
Cash paid on investment		**–**	36,539
Other cash payments related to investing activities		**10,776**	42,291
Sub-total of cash outflows from investing activities		**11,540**	80,618
Net cash from investing activities		**145,803**	41,073

RMB'000

Item	*Notes*	**For the year ended 31 December 2017**	For the year ended 31 December 2016
3. Cash flows from financial activities:			
Cash received from investors		**40,000**	–
Including: cash received from non-controlling shareholders of subsidiaries		**40,000**	–
Cash received from borrowings obtained		**30,000**	–
Other cash receipts relating to financing activities		**1,439**	43
Sub-total of cash inflows from financial activities		**71,439**	43
Cash payments for borrowings repayment		**5,500**	6,500
Cash payments for distribution of dividends or profits or interest expense		**1,098**	698
Including: dividend or profits paid to non-controlling shareholders of subsidiaries		**–**	–
Other cash payment relating to financing activities		**1,200**	4,482
Sub-total of cash outflows from financial activities		**7,798**	11,680
Net cash from financial activities		**63,641**	(11,637)
4. Effect of exchange rate changes on cash and cash equivalents		**(34)**	50
5. Net increase in cash and cash equivalents	*VIII.50*	**192,659**	(101,806)
Add: balance of cash and cash equivalents at the beginning of the year		**132,953**	234,759
6. Balance of cash and cash equivalents at the end of the year	*VIII.51*	**325,612**	132,953

RMB'000

ITEM	Share capital	Capital reserves	Other comprehensive income	Surplus reserves (note)	Undistributed profits	Subtotal	Non-controlling interest	Total shareholders' equity
	For the year ended 31 December 2017							
	Attributable to shareholders of the Company							
Balance as at 1 January 2017	**197,310**	**923,193**	**71**	**130,931**	**(36,546)**	**1,214,959**	**45,290**	**1,260,249**
Net profit	–	–	–	–	**(85,251)**	**(85,251)**	**(14,326)**	**(99,577)**
Other comprehensive income	–	–	**(72)**	–	–	**(72)**	**(26)**	**(98)**
Shareholders investment	–	**11,228**	–	–	–	**11,228**	**28,772**	**40,000**
Sub-total of the changes during the year	–	**11,228**	**(72)**	–	**(85,251)**	**(74,095)**	**14,420**	**(59,675)**
Balance as at 31 December 2017	**197,310**	**934,421**	**(1)**	**130,931**	**(121,797)**	**1,140,864**	**59,710**	**1,200,574**

RMB'000

ITEM	Share capital	Capital reserves	Other comprehensive income	Surplus reserves (note)	Undistributed profits	Subtotal	Non-controlling interest	Total shareholders' equity
	For the year ended 31 December 2016							
	Attributable to shareholders of the Company							
Balance as at 1 January 2016	197,310	936,475	31	130,931	598	1,265,345	57,300	1,322,645
Net profit	–	–	–	–	(58,838)	(58,838)	(12,036)	(70,874)
Other comprehensive income	–	–	40	–	–	40	26	66
Other directly adjusted retained profit	–	(21,694)	–	–	21,694	–	–	–
Inpact 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

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.

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

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, issuance and technical services 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 2017 of the Group are as follows:

	Shareholding(%)	
Name of units	**Direct**	**Indirect**
Beijing Beiqing Outdoor Advertisement Co., Ltd. (Beiqing Outdoor)	100.00	–
Beiqing Network Culture Communication Co., Ltd. (Beiqing Network)	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)	52.661	–
Chongqing Youth Media Company Limited (Chongqing Media)	60.00	–
CHONG QING YOUTH (AMERICA) LLC (Chong Qing America) (Note 1)	–	60.00
Beiqing Community Travelling (Beijing) Limited (Community Travelling) (Note 2)	–	52.661
Beiqing Community Business Limited (Community Business) (Note 3)	–	52.661

Note 1: The Group indirectly hold 60% equity interest of Chang Qing America, which is 100% holding by the Group's 60% direct holding subsidiary Chongqing Media.

Note 2: The Group indirectly hold 52.661% equity interest of Community Travelling, which is 100% holding by the Group's 52.661% direct holding subsidiary Beiqing Community Media.

Note 3: The Group indirectly hold 52.661% equity interest of Community Business, which is 100% holding by the Group's 52.661% direct holding subsidiary Beiqing Community Media.

III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The Group's financial statements for the year ended 31 December 2017 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 – Basic Standard ("PRC Accounting Standard") issued by the Ministry of Finance of the People's Republic of China, 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 2017 and their consolidated operating results, consolidated cash flows and other relevant information for the year then ended.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting Period

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

2. Reporting currency

The reporting currency of the Group is RMB. The financial statements of the Group are expressed in RMB.

3. Basis of preparation and principle of measurement

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

4. Business Combination

(1) Business combination involving entities under common control

In a business combination involving enterprises under common control, if the acquirer pays for the business combination in cash, by transferring of non-cash assets or assuming liabilities, net assets in the ultimate controlling party's consolidated financial statements are measured at their carrying amounts of the acquiree at the acquisition date. If the acquirer issues equity instruments for the business combination, the acquirer measures the share capital by the par value of the shares issued. The difference between the original investment costs and the carrying amounts (or the total par value of shares issued) will be adjusted to the capital reserves. If the capital reserves is insufficient to absorb the difference, the remaining amount shall be deducted from retained earnings.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

4. Business Combination *(Continued)*

(2) Business combination involving entities not under common control

In a business combination involving enterprises not under common control, the combination costs are the aggregate of the fair values of the assets paid, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for control over the acquiree at the acquisition date. At the acquisition date, the acquired assets, liabilities and contingent liabilities of the acquiree that meet the recognition criteria are measured at their fair value. The Company shall recognize the difference of the combination costs in excess of its interest portion in the fair value of the net identifiable assets acquired from the acquiree as goodwill. The Company shall recognize the difference of the combination costs less than its interest portion in the fair value of the net identifiable assets acquired from the acquiree in the non-operating income for current period after reassessment.

5. Preparation of consolidated financial statement

(1) Determination of the scope of consolidation

The Group consolidates all subsidiaries under control in the financial statements. The date of acquisition or disposal shall be the date on which the Group obtains or loses the controlling right over its subsidiaries.

(2) Uniform accounting policies, balance sheet date and accounting period

If the subsidiaries adopt different accounting policies or accounting period compared with those of the Company, the Company shall make necessary adjustments on the subsidiaries' financial statements according to its accounting policies or accounting period when the consolidated financial statements are prepared.

(3) The elimination in the preparation of consolidated financial statements

The consolidated financial statements are prepared based on the individual financial statements of the Company and its subsidiaries, after elimination of the transactions incurred among the Company and the subsidiaries. The portion of a subsidiary's equity that is not attributable to the Company is treated as minority interests and presented in the consolidated balance sheet within equity. The equity investment of the Company held by one subsidiary shall be treated as the Company's treasury shares and a deduction of the shareholder's equity which is presented as "less: treasury shares" in the consolidated balance sheet within equity.

(4) The accounting treatment for obtaining subsidiaries through a business combination

Where a subsidiary or business has been acquired through a business combination involving enterprises under common control in the reporting period, the obtained subsidiary or business is deemed to be included in the consolidated financial statements from the date they are controlled by the ultimate controlling party. Their assets, liabilities, operating results and cash flows are included in the consolidated financial statements from the beginning of the accounting period in which the acquisition occurred. Where a subsidiary or business has been acquired through a business combination not involving enterprises under common control, their individual financial statements are adjusted based on the fair value of identifiable net assets at the acquisition date when preparing the consolidated financial statements.

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

6. Joint arrangement classification and accounting treatments

(1) The classification of joint arrangement

Joint arrangements are classified as joint operations or joint ventures. A joint arrangement will be classified as joint operation when the joint arrangement achieves not through an individual entity. Individual entity is an entity with individual identifiable finance structure, including single legal entity and entity unqualified as legal entity but qualified as lawful entity. A joint arrangement is usually be classified as joint venture when the joint arrangement achieves through incorporating an individual entity. When changes arising from relevant events or environment cause changes of the cooperative parties' rights and obligations in the joint arrangements, the cooperative parties shall reassess the classification of the joint arrangements.

(2) The accounting treatment of joint operations

The party participating in joint operations shall recognize the following items relating to its interests in the joint operations and account for them in accordance with related requirements of Accounting Standards for Business Enterprises: a) Its solely-held assets and solely-assumed liabilities, and b) Its share of any assets and liabilities held jointly; c) Its revenue from the sale of its share of the output arising from the joint operation; d) Its share of the revenue from the sale of the output by the joint operation; e) Its own expenses; and f) Its share of any expenses incurred jointly.

The other parties involving in joint operations without common control power shall account for their investments referring to the treatment method of joint operation participants if they are entitled to relevant assets and undertake relevant liabilities of the joint operations, otherwise, they shall account for their investments according to related requirements of Accounting Standards for Business Enterprises.

(3) The accounting treatment of joint ventures

The parties participating in a joint venture account for its investment in accordance with Accounting Standards for Business Enterprises No.2-Long-term equity investment. And the other parties involving in joint ventures without common control power shall account for their investments according to their influence extent on the joint ventures.

7. Cash and cash equivalents

The cash in the Company's statement of cash flows in cash on hand and deposits that can be readily drawn on demand. 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

8. Foreign currency

(1) Translation of foreign currency transactions

The Company records foreign currency transactions in RMB for accounting purpose using the spot exchange rate prevailing on the date when the transactions occurs. As at the balance sheet date, monetary items denominated in foreign currency are translated to RMB by adopting the prevailing exchange rate on that date. Foreign exchange difference between the prevailing exchange rate on that date and the prevailing exchange rate on initial recognition or on the previous balance sheet date are recognized in profit or loss for the current period, except the foreign exchange arising from specific loan denominated in foreign currency qualified as capital expenditure and included in the cost of related assets. Non-monetary items denominated in foreign currency that are measured at historical cost are still translated at amount in functional currency exchanged at the prevailing exchange rate at the transaction date. Non-monetary items denominated in foreign currency that are measured at fair value are translated using the exchange rate at the date when fair value was determined and the difference between the translated functional currency amount and the prior translated amount on initial recognition or on the previous balance sheet date are recorded in profit or loss for the current period or other comprehensive income.

(2) The translation of financial statements denominated in foreign currency

If the Company's controlled subsidiaries, joint ventures and associates etc. adopt different reporting currency, their financial statements denominated in foreign currency shall be translated to financial statements in RMB when preparing consolidated financial statements. The assets and liabilities are translated to RMB amounts using the spot exchange rate at the balance sheet date. Items of the equity, except for "retained earnings ", are translated at the spot exchange rate at the dates on which such items occurred. The revenue and expenditures in the statement of income are translated using the spot exchange rate at the transaction date. The difference arising from foreign currency financial statements translation is presented in other comprehensive income at the consolidated balance sheet within equity. Items of the statement of cash flows are determined by systemic method and translated using the spot exchange rate when they incurred. Effect arising from changes of exchange rates on cash and cash equivalents is presented separately in the statement of cash flows. When disposing of foreign operations, exchange differences of foreign currency financial statements attributable to the foreign operations are transferred to profit or loss for the current period entirely or in proportion with the disposal portion of the foreign operations.

9. Financial instruments

(1) Recognition and classification of financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments. A financial asset, financial liability or equity instrument is recognized when the Company becomes one party of financial instrument contracts.

The financial assets are classified into the following four categories upon initial recognition: financial assets at fair value through profit or loss ("FVTPL" financial assets), held-to-maturity investments, receivables, and available-for-sale financial assets ("AFS" financial assets). The classification of financial assets depends on the holding intention and capability of the Company except for receivables. The financial liabilities are classified into financial liabilities at fair value through profit or loss ("FVTPL" financial liabilities) and other financial liabilities upon initial recognition

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Financial instruments *(Continued)*

(1) Recognition and classification of financial instruments (Continued)

Financial assets at fair value through profit or loss include financial assets held for trading in the short term and those upon initial recognition designated as at fair value through profit or loss. Receivables are non-derivative financial assets with fixed or determinable amounts that are not quoted in an active market. AFS financial assets are those non-derivative financial assets that are designated as available for sale and financial assets other than those above mentioned. Held-to-maturity investments are non-derivative financial assets with fixed or determinable amounts and fixed maturity dates that the Company has the positive intention and capability to hold to maturity.

(2) Measurement of financial instruments

The Company measures the financial instruments at fair value upon initial recognition. The subsequent measurement includes: a) FVTPL financial assets, AFS financial assets and FVTPL financial liabilities are measured at fair value; b) Held-to-maturity investments, receivables, and other financial liabilities are subsequently measured at amortized cost; c) Equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured, and derivative financial assets or derivative financial liabilities linked to the equity instruments that will be settled by delivering the equity instruments are subsequently measured at cost. The gains or losses of fair value changes arising from subsequent measurement of financial assets and liabilities shall be accounted for according to the following methods except hedging instrument involving in: a) The gains or losses arising from fair value changes of FVTPL financial assets and FVTPL financial liabilities are recognized in the profit or loss for current period; b) The gains or losses arising from fair value changes of AFS financial assets are recognized in other comprehensive income.

(3) Recognition method of financial instruments' fair value

For financial assets or financial liabilities in active markets, the Company uses the quoted prices in active markets to determine their fair value. If there is no active market, the Company uses valuation techniques to determine their fair value. The valuation techniques mainly include market approach, income approach and cost approach.

(4) Recognition and measurement of transfer of financial assets

The Company derecognizes a financial asset if it transfers substantially all the risks and rewards of the financial asset or it does not transfer or maintain substantially all the risks and rewards of ownership of the financial asset, but surrender control on the financial asset. If a financial asset meets the derecognition criteria, the difference between the transfer consideration received and the sum of transferred financial asset's carrying amount and the accumulated change amount on fair value which has been recognized in other comprehensive income shall be charged to profit or loss for current period. If the partial transfer of financial asset meets the derecognition criteria, the entire carrying amount of the transferred financial asset shall be split into the derecognized portion and retained portion according to their respective fair value.

A financial liability shall be entirely or partially derecognized if its present obligations are wholly or partly dissolved.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Financial instruments *(Continued)*

(5) Impairment of financial assets

If the financial assets measured at amortized costs are impaired, the impairment provision shall be recognized at the difference of the carrying amount of financial assets and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss for current period.

If the financial assets measured at cost are impaired, the impairment provision shall be recognized at the difference of Carrying amount of financial assets and the prevent value of estimated future cash flows. And the impairment loss shall not be reversed after recognition.

If there is objective evidence that AFS financial assets are impaired, accumulated losses due to decreases in fair value previously recognized directly in the shareholders' equity are transferred to profit or loss for the current period. In the subsequent periods, if the fair value of AFS debt instruments increases and the increase can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment losses are reversed and charged to profit or loss for the current period. For AFS equity instruments, the increase of fair value in the subsequent periods shall be accounted for in the shareholders' equity.

For investments of equity instruments, the Company determines the following specific criteria for their fair value decline "seriously" or "non-temporarily", calculation of cost, fair value determination at period end and continuous decline periods:

Specific quantitative criteria for fair value decline " seriously"	Decrease in closing fair value relative to the cost has reached or exceeded 50%.
Specific quantitative criteria for fair value decline "non-temporarily"	Fall for 12 consecutive months.
Calculation of cost	Consideration of payment at acquisition (net of cash dividends declared but not yet paid or due but unpaid interest on bonds) and the relevant transaction cost are recognized as the investment cost.
Fair value determination at period end	As for a financial instrument for which there is an active market, the quoted prices in the active market shall be used to recognize the fair values thereof. Where there is no active market for a financial instrument, the enterprise concerned shall adopt value appraisal techniques to determine its fair value.
Definition of continuous decline periods	The rebound in the continuous fall or the period with the tread of fall is less than 20% margin. Rebound duration not more than six months is treated as continuous decrease period.

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(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 recognized 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) Receivables 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
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 flows

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

Basis for determination of groups

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 receivables

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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

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

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 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

11. Inventory

Inventories mainly include Goods in stock.

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 are determined by its estimated selling price less estimated selling expenses and related taxes.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

12. Long-term equity investment

(1) Determination of initial investment cost

Long-term equity investment acquired through a business combination: For a business combination involving enterprises under common control, the initial investment cost of a long-term equity investment is the acquirer's share of the carrying amount of the owners' equity in the acquiree at the acquisition date. For a business combination not involving enterprises under common control, the initial investment cost of a long-term equity investment is the cost of acquisition determined at the date of acquisition. For a long-term equity investment acquired in cash, the initial investment cost is the amount of cash paid. For a long-term equity investment acquired by issuing equity securities, the initial investment cost is the fair value of the equity securities issued. For a long-term equity investment acquired by debt restructuring, the initial investment cost is determined according to related requirements of Accounting Standards for Business Enterprises No.12-Debt Restructuring. For a long-term equity investment acquired by exchange of non-cash assets, the initial investment cost shall be determined according to related accounting standards.

(2) Subsequent measurement and recognition of profit or loss

Where the Company is able to exercise control over an investee, the long-term equity investment is accounted for using the cost method. Where the Company has investment in associates and joint ventures, the long-term equity investment is accounted for using the equity method. Where portion of the long-term equity investment in an associate is indirectly held through venture capital organizations, mutual funds, trust companies or similar entities including investment-linked insurance funds, regardless whether these entities can exercise significant influence on the investments, the Company shall measure the indirectly held portion at fair value through profit or loss and accounted for the remaining portion using the equity method according to Accounting Standards for Business Enterprises No. 22-Financial Instrument Recognition and Measurement.

(3) Basis for recognition of joint control or significant influence over an investee

Joint control of an investee is that the decision of activities that can significantly affect the arrangement's return must require the unanimous consent of the parties sharing control, including sale and purchase of goods or services, financial assets management, purchase and disposal of assets, research and development activity and financing activities etc. The Company holding of 20%-50% voting capital of the investee presents it can exercise significant influence over the investee. The Company usually can exercise significant influence over the investee even its voting capital less than 20% if it can meet one of the following situations: a) Appointing representatives in the board of directors or similar governing body of the investee; b) Participating in the strategy and policy decision process; c) Delegating management personnel; d) The investee relying on the Company's technique or technical material; e) Significant transactions occur between the Company and the investee.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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 recognized directly in profit or loss for the current period.

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

Where an investment property is changed for owner-occupied purpose, it is transferred to a fixed asset or intangible asset at the date of the change. Where the owneroccupied 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 derecognized 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, rending services, leasing or operation and management. The useful lives of fixed assets are more than one year.

Fixed assets consist of buildings, plant and machinery, motor vehicles, office equipment and others. The cost for fixed asset is measured at cost at the time when it is acquired. The cost of fixed asset purchased from outsiders includes purchase prices, import tax and other related taxes and other expenses incurred to bring the assets to the condition of intended use. The cost of fixed asset constructed by the Group includes the required expenses incurred to bring the assets to the condition of intended use. The fixed asset acquired by an investor is measured at the agreed considerations as specified in the investment contracts or agreements, or the fair value where the agreed consideration as specified in the contracts or agreements is not justified. The fixed asset acquired under a finance lease is measured at the lower of 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 derecognized. The subsequent expenditures incurred for a fixed asset are recognized in profit or loss for the current period in which they are incurred when they do not meet the criteria of a fixed asset.

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

14. Fixed assets *(Continued)*

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

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 derecognized 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 recognized in profit or loss for the current period.

15. Borrowing costs

(1) Recognition of capitalizing borrowing costs

Borrowing costs are capitalized when they are directly attributable to the acquisition, construction or production of a qualifying asset and included in the cost of related assets. Other borrowing costs are recognized as expenses and recorded in profit or loss for the current period when incurred. Qualifying assets that meet conditions for capitalization are fixed assets, investment property, inventory or other assets that take a substantial period of time for construction or production in order to get ready for their intended use or sale.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

15. Borrowing costs *(Continued)*

(2) Calculation of capitalization cost

Capitalization period refers to the period from commencement of capitalization of borrowing costs to its termination. The period during which capitalization is suspended is excluded. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months.

For designated borrowings, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing less any bank interest earned from unused funds of the designated borrowings or any investment income on the temporary investment of those funds. For funds borrowed for general purpose, the amount of interest to be capitalized on such borrowings is calculated by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of designated borrowings. Capitalization rate is determined by calculating weighted average interest rate of general borrowings. If there is any premium or discount of the borrowings, the interest cost shall be adjusted in every accounting period by the amortized amount of premium or discount calculating by effective interest method.

Effective interest method is the method to calculate the amortization amount of premium or discount or interest expenses by the effective interest rate of the borrowings. The effective interest rate is the interest rate to discount the future cash flow of the borrowing during its expected duration to the present carrying amount of the borrowing.

16. Intangible assets

Intangible assets of the Group, including land use rights operation rights and software, are recognized 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

17. Impairment of long-term assets

At each balance sheet date, if there are impairment indications for the long-term assets including long-term equity investments, investment property subsequently measured at cost model, fixed assets, construction in progress, productive biological assets measured at cost, oil and gas assets, intangible assets, goodwill, etc., the Company shall perform impairment test. If the outcome of impairment test indicates the recoverable amount of the asset is lower than its carrying amount, the Company shall recognize the provision for impairment based on the amount of the shortfall.

The recoverable amount of an asset is determined by the higher of the net amount after deducting the disposal costs from the asset's fair value and the present value of the asset's estimated future cash flow. The provision for impairment of asset is estimated and recognized on individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Company shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the minimum portfolio of assets that could generate cash inflow independently.

Impairment tests are conducted for goodwill presented in the financial statements separately at least at the end of every accounting year regardless whether there are impairment indications or not. The carrying amount of goodwill arising from business combinations is allocated to relevant asset groups or asset group portfolio. The related impairment loss shall be recognized if the impairment test indicates the recoverable amount of the asset groups or asset group portfolio embodied the goodwill is lower than their carrying amounts. The amount of impairment loss shall firstly be deducted from the carrying amount of goodwill embodied in the asset groups or asset group portfolio, then be deducted from the carrying amounts of other assets' based on the proportions of their carrying amounts in the asset group or asset groups portfolio.

The impairment losses of assets will not be reversed in subsequent periods once they are recognized.

18. Goodwill

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

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

19. Long-term deferred expenses

Long-term deferred expenses of the Group are expenditures such as property renovation cost, which have incurred but shall be undertaken in more than 1 year of amortization period (not including 1 year) of the current and future periods. They are amortized evenly over the estimated benefit period. If one long-term deferred expense can't benefit the Company in the subsequent periods the remaining balance of the long-term deferred expense shall be recognized as expense in profit or loss for the current period.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

20. Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(1) Short-time employee benefits

In the accounting period in which employees have rendered services, the Company recognizes the employee benefits as liability, and charges to profit or loss for the current period, or includes in the cost of relevant assets in accordance with other accounting standards. Welfare benefit are charged to profit or loss for the current period or included in the cost of relevant assets when incurred. Welfare benefit in non-monetary forms is measured at fair value. In the accounting period in which employees have rendered services, the Company recognizes the social security contributions as liability according to regulations such as medical insurance, work injury insurance and maternity insurance as well as housing funds, and charges to profit or loss for the current period or includes in the cost of relevant assets.

(2) Post-employment benefits

During the accounting period in which employees provide the service, the Company calculates the defined contribution plans payable according to the basis and percentage required by local government, recognized as the liability and charges to profit and loss for current period or includes in the cost of related assets. The Company attributes the obligation incurred by defined benefits plans using the projected accumulated benefit unit credit method to periods in which the employees rendered services and charges the obligation to profit and loss for the current period or includes in the cost of related assets.

(3) Termination benefits

Termination benefits provided by the Company to employees are recognized as an employee benefit liability and charged to profit or loss for the current period at the earlier of the following dates: a) The Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; and B) When the Company recognizes costs or expenses related to the restructuring that involves the payment of termination benefits.

(4) Other long-term employee benefits

If other long-term employee benefits provided by the Company to the employees meet the conditions for classifying as a defined contributions plan, those benefits are accounted for in accordance with the above requirements relating to defined contribution plan. Besides, net obligations or net assets of other long-term employee benefits are recognized and measured in accordance with the above requirements relating to defined benefits plan.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(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 technical 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 recognized as revenue at the time of the commencement of the sale transaction, but is deferred and recognized 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 recognized 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 recognized 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 recognized 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 recognized in accordance with the Group's accounting policy for operating lease (see Note V.24).

22. Government grants

(1) Category of government grants

Government grants are the monetary assets and non-monetary assets received from the government without consideration and be classified as government grants related to assets or government grants related to income.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

22. Government grants *(Continued)*

(2) Accounting treatment of government grants

Government grants related to assets are recognized as deferred income which are amortized in profit and loss for each period over the asset's estimated useful period on a systematic basis. Government grants related to the Company's routine operation will be recorded in other income and government grants not related to the Company's routine operation will be recorded in non-operating income.

Government grants measured at nominal cost will be recorded in profit and loss for the current period when received.

Government grants related to income are treated as follows: a) 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.; b) if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the current period. Government grants related to the Company's routine operation will be recorded in other income (or deducted from related costs or expenses) and government grants not related to the Company's routine operation will be recorded in non-operating income (or deducted from related expenses or losses).

(3) The detailed criteria to distinguish government grants related to assets and government grants related to income

Government grants obtained by the Company for purchase, construction or formation of long-term assets are recognized as the government grants related to assets. The government grants other than the government grants related to assets are classified as government grants related to income.

If there is no explicit recipient in the related government grant document, the judgement criteria to distinguish government grants related to assets and government grants related to income:1) The government document specified the grant objective, the amount shall be proportioned by expense on capitalized asset and the expenses on profit and loss. The proportion shall be reviewed on each balance sheet date, and making necessary adjustment;2) The government document provides general statement, and no specified project, the grant will be classified as government grants related to income.

(4) The recognition time point for government grants

The receivable government grants will be recognized when there are conclusive evidence to indicate the Company could meet all related government grants requirements and the Company expects to receive the government grants in the future. Other government grants will be recognized when the grant fund received.

(5) Accounting treatment for concessional loan

1) When the bank receives the discount interest fund from the financial sector and then provides loan to the Company with preferential interest rate, the Company accounts for the loan at the actual received amount and related interest expenses will be calculated based on the principal and the preferential interest rate.

2) When the Company receives the discount interest fund from the financial sector directly, the discount interest fund will be deducted from related borrowing cost.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

23. Deferred tax asset and deferred tax liability

Temporary differences arising from the difference between the carrying amount of an asset or liability (asset or liability not recognized in balance sheet but the tax base is ascertained by the current tax laws and regulation, the tax base is the temporary difference) and its tax base are recognized as deferred tax calculating by the effective tax rate in the expected period to receive the asset or discharge the liability.

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized and should be recognized for deductible loss or tax reduction that could be carried forward in subsequent periods to the extent that it is probable that taxable income will be available against which deductible loss or tax reduction can be utilized. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilized, the carrying amount of the deferred tax asset is reduced.

The taxable temporary differences associated with investments in subsidiaries and associates shall be recognized deferred tax liability; except the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The deductible temporary differences associated with investments in subsidiaries, associates, the corresponding deferred tax asset is recognized when it is probable that the temporary difference will reverse in the foreseeable future and it is probable that taxable profits will be available in the future against which the temporary difference can be utilized.

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 "Longterm 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. Held-for-sale and discontinued operations

Non-current assets or disposal groups are classified as held-for-sale assets when all the following conditions are met: a) the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups); b) the sale must be highly probable, i.e. the Company has signed an irrevocable transfer agreement with the transferee and the transfer is expected to be completed within one year. If related regulations require pre-approval for the sale, the sale transaction has been approved.

When non-current asset (or disposal group) classified as held for sale is initially measured or remeasured at each balance sheet date, if the book value of the non-current asset (or disposal group) is higher than its fair value, the difference will be deducted from the book value and recognized as impairment provision of held for sale in the profit and loss for current period.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

25. Held-for-sale and discontinued operations *(Continued)*

Non-current asset (or disposal group) classified as held-for-sale asset will be presented as held-for-sale assets and the liabilities in the disposal group will be presented as held-for-sale liabilities in the balance sheet.

A discontinued operation is a clearly distinguished component of an entity, that either has been disposed of, or is classified as held for sale, and meets any of the following criteria:

(a) represents a separate major line of business or geographical area of operations,

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or

(c) is a subsidiary acquired exclusively with a view to resale.

26. 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.

27. Segment information

Operating segments of the Group are identified on the basis of internal organization structure, management requirements and internal reporting policies. The reporting segments are determined on the basis of operating segments. An operating segment represents a component of the Group that satisfied the following criteria simultaneously: (1) the component engages in business activities from which it may earn revenues and incur expenses; and (2) whose operating results are regularly reviewed by the Company's management to make decisions on resources to be allocated to the segments and assess its performance; (3) Financial information of the segments such as financial position, operating results and cash flow is available to the Company.

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

28. 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) Building

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

(2) Depreciation of fixed assets

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

(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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

28. Key accounting estimates and judgements *(Continued)*

(6) Fair value of customer loyalty program

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

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

The Group tests annually whether the interests in jointly controlled entities and associates have suffered any impairment in accordance with the Group's accounting policy. The entire carrying amount of the investment (including goodwill) is tested as a single asset by comparing the difference of its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount. The values 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.

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

1. Changes in accounting policies and their effect

The Ministry of Finance released < CAS No.42-Held for sale Assets and Discontinued Operations> in year 2017 which will be in effect from 28 May 2017. The accounting standard requires prospective application for the existed held for sale assets and discontinued operations.

The Ministry of Finance revised < CAS No.16-Government grants> which will be in effect from 12 June 2017. The accounting standard requires prospective application for the existed government grants at January 1, 2017 and adjustment for the government grants received from 1 January 2017 to the enforcement date.

The Ministry of Finance released < Notice for amendments of financial statements format of industrial and commercial enterprises>(Caikuai (2017) No.30) in year 2017 and the enterprises who adopt <Accounting Standards for Business Enterprises> should prepare the financial statements for year 2017 and the following financial periods in according to <Accounting Standards for Business Enterprises> and the Notice.

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

VI. CHANGE IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS OF PRIOR PERIODS *(Continued)*

1. Changes in accounting policies and their effect *(Continued)*

The main influence on the financial statements after the Company adopts the above two standards and the Notice (Caikuai (2017) No.30) is as following:

Reason and content of accounting policy change	Item affected	The amount of item affected	Restatement amount of prior period	Amount presented in non-operating income of prior period	Amount presented in non-operating expenses of prior period
1. Government grants related to the Company's routine operation recorded in other income	Other income	195	—	3,139	—
2. Presentation adjustment for gains (losses) from disposal of assets	Gains (Losses) from disposal of assets	245	136	136	—

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. TAXES

1. Main taxes categories and tax rates

Tax category	Tax base	Tax rate
Value added tax	The VAT payable shall be the balance of the Output tax for the period after deducting the Input tax for the period, and Output VAT is calculated based on 17%, 11%, 6%	17%, 11%, 6%
Cultural construction fee	Taxable revenue from advertising	3%
Urban maintenance and construction tax	Turnover tax payable	7%
Education Surcharge	Turnover tax payable	3%
Local Education Surcharge	Turnover tax payable	2%
Enterprise income tax	Taxable income	25%

2. Significant tax incentives and approval documents

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 Cai Shui [2014] No.2907), the Company is exempted from EIT from 1 January 2014 to 31 December 2018.

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

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

1. Bank balances and cash

Item	As at 31 December 2017	As at 31 December 2016
Bank balance and cash	**325,612**	132,953
Short-term bank deposits	**31,488**	73,615
Restricted bank deposits	**6,720**	7,959
Total	**363,820**	214,527

The Group's bank balances are deposited at banks in the PRC and carry interest at market interest rates of 0.3% to 1.65% (2016: 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 1.43% to 1.65% (2016: 2.85% to 3.50%) per annum.

Restricted bank deposits represent marginal deposit for bank acceptance notes and carry market interest rates of 0.30% to 0.50% (2016: 0.35% to 0.50%) per annum.

2. Notes receivable

Item	As at 31 December 2017	As at 31 December 2016
Bankers' acceptances	**1,666**	–
Total	**1,666**	–

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

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

3. Accounts receivable

Item	**As at 31 December 2017**	As at 31 December 2016
Accounts receivable	**415,870**	508,760
Less: Provision for bad debts	**114,638**	86,715
Net accounts receivable	**301,232**	422,045
For reporting purpose, analysis as:		
Non-current assets – long-term receivables	**–**	–
Current assets – accounts receivable	**301,232**	422,045
Total	**301,232**	422,045

(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 2017**	As at 31 December 2016
0-90 days	**71,154**	56,223
91-180 days	**18,686**	57,594
181-365 days	**34,889**	81,707
1-2 years	**57,625**	99,341
Over 2 years	**118,878**	127,180
Total	**301,232**	422,045

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

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

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

3. Accounts receivable *(Continued)*

(2) Analysis of account receivable by categories:

Item	As at 31 December 2017 Balance of carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)	As at 31 December 2016 Balance of carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
Significant individual receivables with bad debt provision made on individual basis	–	–	–	–	–	–	–	–
Receivables with bad debt provision made on group basis:								
Aging group	261,071	62.78	64,320	24.64	322,789	63.45	40,335	12.50
Related party group	131,127	31.53	31,342	23.90	164,850	32.40	31,384	19.04
Non-risk group	–	–	–	–	–	–	–	–
Sub-total	392,198	94.31	95,662	24.39	487,639	95.85	71,719	14.71
Insignificant individual receivables but with bad debt provision made on individual basis	23,672	5.69	18,976	80.16	21,121	4.15	14,996	71.00
Total	415,870	100.00	114,638		508,760	100.00	86,715	

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

Item	As at 31 December 2017 Amount	Percentage (%)	Provision for bad debts	As at 31 December 2016 Amount	Percentage (%)	Provision for bad debts
Within 1 year	108,578	–	–	167,656	–	–
1-2 years	43,396	10.00	4,340	82,122	10.00	8,212
2-3 years	37,781	30.00	11,334	38,284	30.00	11,485
3-4 years	28,022	50.00	14,011	23,812	50.00	11,906
Over 4 years	43,294	80.00	34,635	10,915	80.00	8,732
Total	261,071		64,320	322,789		40,335

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

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

3. Accounts receivable *(Continued)*

(3) The top five accounts receivable as at 31 December 2017 represented 39.65% 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 2017**	As at 31 December 2016
Within 6 months	**6,351**	8,711
6 months to 1 year	**7,569**	12,471
1-2 years	**18,118**	27,177
2-3 years	**22,757**	51,653
3-4 years	**17,146**	26,899
Over 4 years	**27,844**	6,555
Total	**99,785**	133,466

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.

4. Prepayments

Item	**As at 31 December 2017**	As at 31 December 2016
Prepayments	**8,886**	54,446
Less: Provision for bad debts	**–**	–
Net prepayments	**8,886**	54,446

The top five prepayments as at 31 December 2017 represented 84.35% of the total prepayments.

(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)*

5. Interest receivable

Item	**As at 31 December 2017**	As at 31 December 2016
Fixed deposit interest	**421**	182
Total	**421**	182

6. Other receivables

Item	**As at 31 December 2017**	As at 31 December 2016
Other receivables	**210,448**	314,032
Less: Provision for bad debts	**37,501**	2,735
Net other receivables	**172,947**	311,297

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

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

6. Other receivables *(Continued)*

(1) Analysis of other receivables by categories:

	As at 31 December 2017				As at 31 December 2016			
	Balance of carrying amount		Provision for bad debts		Balance of carrying amount		Provision for bad debts	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with bad debt provision made on group basis	–	–	–	–	–	–	–	–
Aging group	193,230	91.82	35,517	18.38	173,903	55.38	790	0.45
Related party group	6,225	2.96	39	0.63	7,670	2.44	–	–
Non-risk group	9,048	4.30	–	–	130,514	41.56	–	–
Sub-total	208,503	99.08	35,556	17.05	312,087	99.38	790	0.25
Insignificant individual other receivables but with bad debt provision made on individual basis	1,945	0.92	1,945	100.00	1,945	0.62	1,945	100.00
Total	210,448	100.00	37,501		314,032	100.00	2,735	

Other receivables with bad debt provision by aging analysis:

	As at 31 December 2017			As at 31 December 2016		
Item	**Amount**	**Percentage (%)**	**Provision for bad debts**	Amount	Percentage (%)	Provision for bad debts
Within 1 year	16,144	–	–	172,003	–	–
1-2 years	114,610	10.00	11,461	–	10.00	–
2-3 years	35,910	30.00	10,773	800	30.00	240
3-4 years	26,566	50.00	13,283	1,100	50.00	550
Over 4 years	–	–	–	–	–	–
Total	193,230		35,517	173,903		790

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

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

6. Other receivables *(Continued)*

(2) *Other receivables by nature analysis:*

Nature	**As at 31 December 2017**	As at 31 December 2016
Related party current account	**6,225**	7,670
Government grant	**–**	3,000
External unit current	**122,556**	115,768
Deposit and margin	**5,808**	14,617
Reserve funds	**3,240**	4,822
Other	**299**	155
Receivable from disposal of interests in an associate (Note)	**72,320**	168,000
Total	**210,448**	314,032

Note: The amount represents the balance receivable from disposal of interests in an associate, Beiqing Transmedia Co. Limited. As at the issue date of the audit report, RMB95,680 thousand out of RMB168,000 thousand was received.

(3) The top five other receivables as at 31 December 2017 represented 88.92% of the total other receivables.

7. Inventories

Item	**As at 31 December 2017**			As at 31 December 2016		
	Carrying amount	**Provision for impairment**	**Carrying value**	Carrying amount	Provision for impairment	Carrying value
Goods in stock	**36,526**	**238**	**36,288**	28,177	60	28,117
Total	**36,526**	**238**	**36,288**	28,177	60	28,117

As 31 December 2017, no goods in stock which had been written down to net realizable value in prior years were sold (2016: nil).

(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)*

8. Other current assets

Item	As at 31 December 2017	As at 31 December 2016
Investment of film projects (Note)	**12,880**	10,666
External loan	**–**	7,000
VAT utilizable	**24,280**	22,105
Prepaid income tax	**–**	12
Others	**5,136**	–
Total	**42,296**	39,783

Note: investment of film projects 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 2017, the Company had received revenue from distribution of the TV series of RMB8,960 thousand, and the remaining balance of the investment in the TV series amounted to RMB3,080 thousand.

The Company entered into a fixed income investment agreement with Sichuan Bajun Union Entertainment Co., Ltd., with Sichuan Rongtou 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》) 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 2017, the Company's remaining balance of the investment in the TV series amounted to RMB5,000 thousand.

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 RMB1,800 thousand (representing 15% of total investment cost of the TV series) for the production of TV series internet TV series (《網紅製造》). 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 2017, the Company and the remaining balance of the investment in the TV series amounted to RMB1,800 thousand.

The Company had entered into an investment agreement in accordance with the proportion of investment with Whale Image Film and Television Culture Media Co., Ltd. pursuant to which the Company will invest RMB3,000 thousand (representing 10% of total investment cost of the TV series) for the production of internet TV series "Cover the Sky" (《素手遮天》). 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 2017, the Company's balance of the investment in the TV series amounted to RMB3,000 thousand.

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

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

9. Financial assets available-for-sale

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

Item	As at 31 December 2017 Carrying amount	Provision for impairment	Carrying value	As at 31 December 2016 Carrying amount	Provision for impairment	Carrying value
Available-for-sale equity instrument	**165,965**	**5,069**	**160,896**	170,815	5,069	165,746
Measured at cost	**165,965**	**5,069**	**160,896**	170,815	5,069	165,746
Total	**165,965**	**5,069**	**160,896**	170,815	5,069	165,746

(2) Financial assets available-for-sale are analyzed as follows:

Type	As at 31 December 2017	As at 31 December 2016
Unlisted equity investments, China	**165,965**	170,815
Provision for impairment of unlisted equity investments	**5,069**	5,069
Total	**160,896**	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 only measured at cost.

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

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

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

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

Investee	Carrying balance As at 1 January 2017	Increase in this year	Decrease in this year	As at 31 December 2017
Suzhou Huaying Culture Industry Investment Enterprise	3,678	–	600	3,078
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	–	4,250	42,758
Beijing 3D Investment Fund Management Ltd.	5,000	–	–	5,000
Total	170,815	–	4,850	165,965

Investee	Provision for impairment As at 1 January 2017	Increase in this year	Decrease in this year	As at 31 December 2017	Shareholding percentage (%)	Cash bonus for the year ended 31 December 2017
Suzhou Huaying Culture Industry Investment Enterprise	–	–	–	–	2.25	–
Beijing Keyin Media Culture Co., Ltd	–	–	–	–	16.00	145
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 Centre (Limited Partnership)	–	–	–	–	11.62	–
Beijing 3D Investment Fund Management Ltd.	–	–	–	–	14.29	–
Total	5,069	–	–	5,069	–	145

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

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

9. 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 2017	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 2017	5,069	5,069

10. Long-term equity investment

(1) Types for long-term equity investments

Type	**As at 31 December 2017**	As at 31 December 2016
Investments in associates – under equity method	**35,544**	37,756
Less: provision for impairment for investments in associates	**948**	–
Total	**34,596**	37,756

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

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

10. Long-term equity investment *(Continued)*

(2) Investments in associates

		Changes in the current year									
Investee	Balance as at 1 January 2017	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	Others	Balance as at 31 December 2017	Balance of impairment provision as at 31 December 2017
1. Associates											
Beijing Leisure Trend Advertising Company Limited	–	–	–	–	–	–	–	–	–	–	–
Beijing Beiqing Shengda Automobile Service Company Limited	–	–	–	–	–	–	–	–	–	–	–
Beijing Beisheng United Insurance Agency	585	–	–	609	–	–	–	–	–	1,194	
BY Times Consulting Co., Ltd	2	–	–	(2)	–	–	–	–	–	–	–
Beijing Beiqing Top Advertising Limited	–	–	–	–	–	–	–	–	–	–	–
Hebei Jujingcai E-commerce Company Limited	–	–	–	–	–	–	–	–	–	–	–
Beijing International Advertising Media Group Co., Limited	33,119	–	–	(2,649)	(31)	–	–	–	–	30,439	–
Chongqing Soyang Internet Technology	948	–	–	–	–	–	–	948	–	948	948
Beijing Shangyou Network Technology	3,102	–	–	(139)	–	–	–	–	–	2,963	–
Total	37,756	–	–	(2,181)	(31)	–	–	948	–	35,544	948

Item	**As at 31 December 2017**	As at 31 December 2016
Unlisted investments, at cost	**78,606**	80,606
Share of post-acquisition profit	**(43,031)**	(42,850)
Share of other comprehensive income of associates	**(31)**	–
Provision for impairment	**(948)**	–
Total	**34,596**	37,756

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

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

11. Investment properties

(1) Investment properties measured at fair value

Item	Fair value as at 1 January 2017	Increase during the year: Purchase	Increase during the year: Gain or loss arising from changes in fair values	Decrease during the year: Disposal	Decrease during the year: Change into owner-occupied property	Fair value as at 31 December 2017
Cost	52,648	5,978	–	–	–	58,626
Buildings	52,648	5,978	–	–	–	58,626
Changes in fair value	52,008	–	46,275	–	–	98,283
Buildings	52,008	–	46,275	–	–	98,283
Carrying value	104,656	5,978	46,275	–	–	156,909
Buildings	104,656	5,978	46,275	–	–	156,909

The fair value of the Group's investment properties as at 31 December 2017 have been arrived at by reference to recent market prices for similar properties in the same locations and conditions.

As at 31 December 2017, the carrying values of the investment properties for which the Group had not been granted formal title amounted to approximately RMB76,532 thousand (2016: RMB59,083 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 RMB3,995 thousand (2016: RMB3,642 thousand).

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

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

11. Investment properties *(Continued)*

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

Item	**Fair value as at 31 December 2017**	Fair value as at 1 January 2017
Located inside of PRC		
Medium term (10-50 years)	**146,967**	94,659
Located outside of PRC		
Long term (over 50 years)	**9,942**	9,997
Total	**156,909**	104,656

(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

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

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

11. Investment properties *(Continued)*

(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
46	Qingdao Xihu Huafu 16-1-105	Residential
47	Guanlan Hu Saish Apartment 9-05-212	Residential
48	Guanlan Hu Saish Apartment 9-05-215	Residential
49	Guanlan Hu Saish Apartment 9-05-219	Residential
50	Daihehai Park 35-3-1502 + Lower apartment 35-2-3	Residential

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

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

12. Fixed assets

(1) Breakdown of fixed assets

Item	As at 1 January 2017	Increase during the year	Decrease during the year	As at 31 December 2017
Total cost	38,962	1,395	2,769	37,588
Buildings	15,775	–	–	15,775
Plant and machinery	4,005	–	334	3,671
Motor vehicles	5,136	246	2,139	3,243
Office equipment	2,047	5	2	2,050
Electronic equipment	11,999	1,144	294	12,849
Total accumulated depreciation	30,463	3,661	2,395	31,729
Buildings	12,489	757	–	13,246
Plant and machinery	2,308	387	125	2,570
Motor vehicles	3,880	422	1,974	2,328
Office equipment	1,559	172	2	1,729
Electronic equipment	10,227	1,923	294	11,856
Total net carrying amount	8,499	–	–	5,859
Buildings	3,286	–	–	2,529
Plant and machinery	1,697	–	–	1,101
Motor vehicles	1,256	–	–	915
Office equipment	488	–	–	321
Electronic equipment	1,772	–	–	993
Total provision for impairment loss	–	–	–	–
Buildings	–	–	–	–
Plant and machinery	–	–	–	–
Motor vehicles	–	–	–	–
Office equipment	–	–	–	–
Electronic equipment	–	–	–	–
Total net book value	8,499	–	–	5,859
Buildings	3,286	–	–	2,529
Plant and machinery	1,697	–	–	1,101
Motor vehicles	1,256	–	–	915
Office equipment	488	–	–	321
Electronic equipment	1,772	–	–	993

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

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

12. Fixed assets *(Continued)*

(1) Breakdown of fixed assets (Continued)

For the year ended 31 December 2017, the depreciation of fixed assets recognized in the consolidated income statement amounted to RMB3,661 thousand (2016: RMB3,630 thousand).

For the year ended 31 December 2017, the net profit on disposal of fixed assets recognized in the consolidated income statement amounted to RMB245 thousand (2016: net profit of RMB136 thousand).

For the year ended 31 December 2017, the rental income generated from fixed assets recognized in the consolidated income statement amounted to RMB4,933 thousand (2016: RMB5,023 thousand).

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

Item	As at 31 December 2017	As at 1 January 2017
Located inside of PRC		
Medium term (10-50 years)	**2,529**	3,286
Total	**2,529**	3,286

(3) Fixed assets through operating lease

As at 31 December 2017, a fixed asset with carrying amount of RMB2,529 thousand (cost of RMB15,775 thousand) was leased out through operating lease (2016: carrying amounts of RMB3,286 thousand, cost of RMB15,775 thousand).

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

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

13. Intangible assets

(1) Breakdown of intangible assets

Item	As at 1 January 2017	Increase during the year	Decrease during the year	As at 31 December 2017
Total cost	54,611	19	1,500	53,130
Land use rights	40,226	–	–	40,226
Software	2,085	19	–	2,104
Operation rights	12,300	–	1,500	10,800
Total accumulated amortization	19,512	1,513	175	20,850
Land use rights	16,764	888	–	17,652
Software	1,313	265	–	1,578
Operation rights	1,435	360	175	1,620
Total carrying amount	35,099			32,280
Land use rights	23,462			22,574
Software	772			526
Operation rights	10,865			9,180

For the year ended 31 December 2017, the amortization of intangible assets recognized in the consolidated income statement for the year is RMB1,513 thousand (2016: RMB1,535 thousand).

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

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

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

14. Goodwill

Item	As at 31 December 2017	As at 31 December 2016
Goodwill arising from the acquisition of Beiqing CéCi	**47,377**	47,377
Less: provision for impairment loss	**16,947**	12,000
Total	**30,430**	35,377

Goodwill arising from the acquisition of Beiqing CéCi in 2011 was assessed for impairment at 30 December 2017.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs. In assessing the recoverable amount of CGUs, the estimated future cash flows are discounted to their present value suing a discount rate. The rate of return on investment ("ROI") is estimated by analyzing selected comparable companies. It firstly selected he listed companies in similar industries and estimated their β. Then, it estimated ROI according to comparison between the capital structure, β of selected companies and the evaluated company, and uses it as the discount rate. The future cash flows are based on the budget in the next five years that approved by the management. When estimating the future cash, the other key assumptions includes: the previous operating data of CGUs, external economic environment, the estimation of future market development by the management, estimated operating income, gross profit, expense, depreciation and amortization. Based on the result of *Goodwill Impairment Testing in Acquisition Appraisal Report – Beijing Media Corporation Limited to Beiqing CéCi Advertising (Beijing) Limited (BeiqingCéci)*, it accrued goodwill impairment of RMB16,947 thousand. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the asset group to fall below its carrying amount.

15. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets not written off

Item	As at 31 December 2017		As at 31 December 2016	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	**13,265**	**3,316**	8,728	2,182
Employee benefit payables	**–**	**–**	152	38
Temporary difference of taxable income	**–**	**–**	–	–
Uncompensated loss	**57,644**	**14,411**	51,764	12,941
Total	**70,909**	**17,727**	60,644	15,161

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

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

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

(2) Deferred income tax liabilities not written off

Item	As at 31 December 2017 Deductible temporary difference	As at 31 December 2017 Deferred income tax liabilities	As at 31 December 2016 Deductible temporary difference	As at 31 December 2016 Deferred income tax liabilities
Change in fair value of investment properties	**33,399**	**8,350**	18,055	4,514
Total	**33,399**	**8,350**	18,055	4,514

(3) As at 31 December 2017, the Group has unused tax losses of approximately RMB120,095 thousand (2016: RMB67,031 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 2022.

16. Other non-current assets

Item	As at 31 December 2017	As at 31 December 2016
Film project prepaid expenses (Note)	**28,990**	26,590
Total	**28,990**	26,590

Note: 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 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 2017, the balances of prepaid expenses related to the remaining television projects "Oriental King of Soccer" and "Heart of Ice" are RMB24,000 thousand and RMB4,990 thousand respectively.

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

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

17. Breakdown of impairment provision of assets

Item	As at 1 January 2017	Increase during the year: Provision	Increase during the year: Other transfer-in	Decrease during the year: Reversal	Decrease during the year: Other transfer-out	As at 31 December 2017
Provision for bad debts	89,450	62,689	–	–	–	152,139
Provision for impairment of inventories	60	238	–	–	60	238
Provision for impairment of available for sale financial assets	5,069	–	–	–	–	5,069
Provision for impairment of investments in associate	–	948	–	–	–	948
Provision for impairment of goodwill	12,000	4,947	–	–	–	16,947
Total	106,579	68,822	–	–	60	175,341

18. Notes payable

Item	As at 31 December 2017	As at 31December 2016
Bankers' acceptances	**31,970**	51,188
Total	**31,970**	51,188

Note: As at 31 December 2017, the above notes payable were aged within 6 months.

(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)*

19. Accounts payable

The following is an aging analysis of accounts payable as at 31 December 2017 presented based on the invoice date:

Item	As at 31 December 2017	As at 31 December 2016
0-90 days	**16,599**	4,509
91-180 days	**1,678**	27,613
181-365 days	**3,804**	23,025
Over one year	**8,028**	23,769
Total	**30,109**	78,916

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. Receipts advance

Item	As at 31 December 2017	As at 31 December 2016
Receipts advance	**30,067**	39,031
Total	**30,067**	39,031

21. Employee benefit payables

(1) Classification for employee benefit payables

Item	As at 31 December 2017	As at 31 December 2016
Short-term remuneration	**7,469**	8,174
Post-employment benefit – Defined contribution plan	**591**	708
Total	**8,060**	8,882

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

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

21. Employee benefit payables *(Continued)*

(2) *Short-term remuneration*

Item	As at 1 January 2017	Increase during the year	Decrease during the year	As at 31 December 2017
Salaries, bonus, allowances and subsidies	3,578	52,175	53,087	2,666
Staff benefits	–	1,590	1,590	–
Social security insurance	379	4,188	4,257	310
Including: medical insurance	343	3,767	3,829	281
Labour injury insurance	11	124	126	9
Maternity insurance	25	297	302	20
Housing fund	11	4,251	4,262	–
Union fund and staff education fund	4,206	878	591	4,493
Total	8,174	63,082	63,787	7,469

(3) *Defined contribution plan*

Item	As at 1 January 2017	Increase during the year	Decrease during the year	As at 31 December 2017
Basic pension insurance	678	6,810	6,920	568
Unemployment insurance	30	282	289	23
Total	708	7,092	7,209	591

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)

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

22. Tax payables

Item	As at 31 December 2017	As at 31 December 2016
Value added tax	**1,334**	2,210
Business tax	**2,029**	1,639
Corporate Income Tax	**333**	347
Personal Income Tax	**54**	176
Property tax	**–**	8
Education surcharge	**37**	117
Cultural Construction Fee	**1,262**	340
Stamp duty	**–**	893
Total	**5,049**	5,730

23. Other payables

Item	As at 31 December 2017	As at 31 December 2016
Other payables	**50,129**	45,191
Total	**50,129**	45,191

As at 31 December 2017, no foreign currency-denominated payables in other payables (2016: nil).

(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)*

24. Other current liabilities

Item	**As at 31 December 2017**	As at 31 December 2016
Deferred income of customer loyalty program (advertising incentives)	**1,076**	1,609
Total	**1,076**	1,609

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 2017**	As at 31 December 2016
Pledged borrowings	**–**	5,500
Less: Borrowings due within one year	**–**	5,500
Secured loans	**30,000**	–
Less: Borrowings due within one year	**–**	–
Total	**30,000**	–

On 27 May 2017, Beiqing Outdoor, a subsidiary of the Company, has entered a working capital loan agreement with Huaxia Bank, Beijing Shouti Sub-branch for financing of RMB30,000 thousand for providing additional working capital, and which the loan is repayable within 3 years (27 May 2017 to 27 May 2020), interest bearing on 3-year's Benchmark Loan Interest Rates of Financial Institutions plus 20%, and guaranteed by Beijing Media Corporation Limited.

(2) Maturity analysis for long-term loans

Item	**As at 31 December 2017**	As at 31 December 2016
1 to 2 years	**–**	–
2 to 5 years	**30,000**	–
Total	**30,000**	–

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

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

26. Share Capital

Item	**As at 31 December 2017**	As at 31 December 2016
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 2017	Increase during the year	Decrease during the year	As at 31 December 2017
Share capital premiums	923,193	11,228	–	934,421
Total	923,193	11,228	–	934,421

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

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

28. Other comprehensive income

Item	As at 1 January 2017	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 2017
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	71	(98)	–	–	(72)	(26)	(1)
Including: Items attributable to investees under equity method subsequently reclassified to profit or loss	–	(31)	–	–	(31)	–	(31)
Including: Exchange differences from retranslation of financial statement	71	(67)	–	–	(41)	(26)	30
Total other comprehensive income	71	(98)	–	–	(72)	(26)	(1)

29. Surplus reserves

Item	As at 1 January 2017	Increase during the year	Decrease during the year	As at 31 December 2017
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)

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

30. Undistributed profits

Item	For the year ended 31 December 2017 Amount	Appropriation (%)
Balance as at 31 December 2016	**(36,546)**	–
Add: Beginning retained earnings adjustment	–	–
Balance as at 1 January 2017	**(36,546)**	–
Add: Net profit attributable to shareholders of Company for Current Year	**(85,251)**	–
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	–	–
As at 31 December 2017	**(121,797)**	–

As at 31 December 2017, the Group's undistributed profits attributable to the Shareholders of the Company included a surplus reserve of RMB308 thousand (2016: RMB0.00 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 2017	As at 31 December 2016
BYD Logistics Company Limited	7.16	**5,356**	5,197
Beiqing CéCi Advertising (Beijing) Limited	15.31	**12,339**	14,385
Beiqing Long Teng Investment Management (Beijing) Co., Limited	19.16	**2,065**	2,081
Chongqing Youth Media Company Limited	40.00	**3,586**	4,932
Beiqing Community Media Technology Corporation Limited	47.34	**36,364**	18,695
Total		**59,710**	45,290

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

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

32. Total operating revenue, operating costs

Item	For the year ended 31 December 2017	For the year ended 31 December 2016
Principal operating revenue	**411,807**	422,504
Other operating revenue	**14,901**	60,802
Total operating revenue	**426,708**	483,306
Principal operating costs	**373,641**	363,422
Other operating costs	**5,117**	45,898
Total operating costs	**378,758**	409,320
Gross Profit	**47,950**	73,986

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 2017 Operating revenue	For the year ended 31 December 2017 Operating costs	For the year ended 31 December 2016 Operating revenue	For the year ended 31 December 2016 Operating costs
Advertising	**173,263**	**150,027**	211,053	161,814
Printing	**8,934**	**7,431**	11,368	12,719
Trading of print-related materials	**189,991**	**177,287**	172,707	162,626
Distribution	**1,989**	**2,731**	2,145	3,281
Technical service	**37,630**	**36,165**	25,231	22,982
Total	**411,807**	**373,641**	422,504	363,422

(2) For the year ended 31 December 2017, the sum of operating revenue from the top five customers is RMB105,654 thousand representing 24.76% of total operating revenue.

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

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

33. Sales Tax and Surcharges

Item	For the year ended 31 December 2017	For the year ended 31 December 2016
Business tax	–	247
Cultural Construction Fee	**4,819**	6,268
Urban maintenance and construction tax	**313**	562
Education surcharge	**134**	241
Local Education surcharge	**90**	161
Stamp duty	**162**	113
Property tax	**1,036**	463
Urban land utilization tax	**5**	4
Vehicle and vessel tax	**3**	3
Other	**123**	93
Total	**6,685**	8,155

34. Financial expenses

Item	For the year ended 31 December 2017	For the year ended 31 December 2016
Interest expenses – on bank loans fully repayable within 5 years	**1,073**	1,278
Less: Interest income	**2,613**	4,874
Add: Exchange loss	–	3
Less: Exchange gain	**13**	–
Add: Other expenses	**1,309**	150
Total	**(244)**	(3,443)

(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 2017**	For the year ended 31 December 2016
Provision for bad debts	**62,689**	48,610
Impairment loss on inventories	**238**	–
Provision for impairment of investments in associate	**948**	–
Provision for impairment of goodwill	**4,947**	12,000
Total	**68,822**	60,610

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

Item	**For the year ended 31 December 2017**	For the year ended 31 December 2016
Gain on changes in fair value of investment properties	**46,291**	21,121
Total	**46,291**	21,121

37. Gain on investment

Item	**For the year ended 31 December 2017**	For the year ended 31 December 2016
Share of profit of associates	**(2,181)**	(17,017)
Gain on disposal of interests in an associate	**2,100**	40,281
Other investment income:		
Other investment income (Note)	**(20,567)**	344
Sub-total of other investment income	**(20,567)**	344
Total	**(20,648)**	23,608

Note: Other investment income mainly include investment gains and performance compensation resulted from Heqing Media's failing to meet the business commitment.

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

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

38. Gain on disposal of asset

Item	As at 31 December 2017	As at 31 December 2016
Gain on disposal of fixed assets	**245**	136
Total	**245**	136

39. Other income

Item	As at 31 December 2017	As at 31 December 2016
Government grants from routine activities	**195**	–
Total	**195**	–

40. Non-operating income

Item	For the year ended 31 December 2017	For the year ended 31 December 2016
Government grants	**–**	3,139
Compensation benefit	**3**	158
Others	**93**	50
Total	**96**	3,347

(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)*

41. Non-operating expenses

Item	For the year ended 31 December 2017	For the year ended 31 December 2016
Loss on disposal of fixed assets	184	15
Public donations expenses	500	–
Compensation and late payment charges	40	8
Others	1	20
Total	725	43

42. Income tax expenses

(1) Income tax expenses

Item	For the year ended 31 December 2017	For the year ended 31 December 2016
Current income tax expenses	1,940	424
Deferred income tax expenses	1,270	526
Total	3,210	950

(2) Current tax expenses

Item	For the year ended 31 December 2017	For the year ended 31 December 2016
Current income tax – PRC	2,226	1,673
Under-provision in prior years – PRC	(286)	(1,249)
Total	1,940	424

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)

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

42. Income tax expenses *(Continued)*

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

Item	**For the year ended 31 December 2017**	For the year ended 31 December 2016
Total profit	**(96,367)**	(69,924)
Income tax calculated at the applicable tax rate of 25%	**(24,092)**	(17,481)
Tax effect of non-taxable income	**(7,746)**	–
Tax effect of non-deductible expenses	**2,447**	3,701
Tax effect of the Company's losses in current year	**30,970**	16,049
Utilisation of previously unrecognized tax losses	**1,917**	(70)
Underprovision in prior years	**(286)**	(1,249)
Total	**3,210**	950

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.

43. Auditors' remuneration

The auditors' remuneration for the year was RMB1,800 thousand (2016: RMB1,800 thousand).

(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)*

44. Emoluments of Directors, Supervisors and Employees

(1) Emoluments of Directors and Supervisors

1) The amount paid or payable as emoluments to the 21 (2016: 25) directors and supervisors are as follows:

For the year ended at 31 December 2017:

Name	Fees	Salary	Other benefits (i)	Employer's contribution to retirement benefit scheme	total
Directors					
Zhang Yanping	–	362	43	33	438
Yu Haibo	–	362	43	33	438
Yang Wenjian	–	–	–	–	–
He Xiaona	–	84	15	12	111
Peng Liang	–	84	15	12	111
Duan Gang	–	84	15	12	111
Shangda	–	380	67	50	497
Zang Furong	–	–	–	–	–
Wu Bin	–	–	–	–	–
Xu Xun	60	–	–	–	60
Liu Hong	60	–	–	–	60
Cui Enqing	100	–	–	–	100
Wu Tak Lung	100	–	–	–	100
Chen Ji	100	–	–	–	100
Zhou Bingquan	100	–	–	–	100
Wu Changyi	100	–	–	–	100
Subtotal	620	1,356	198	152	2,326
Supervisors					
Yan Mengmeng	–	224	42	56	322
Zhang Zhibing	–	–	–	–	–
Zhang Chuanshui	20	–	–	–	20
Zhao Meng	20	–	–	–	20
Zhang Bo (ii)	–	180	32	43	255
Subtotal	40	404	74	99	617
Total	660	1,760	272	251	2,943

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

(ii) Ms. Zhang Bo was elected as an employee representative supervisor of the Company on 5 December 2017 at the employee representative meeting of the Company.

(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)*

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

(1) Emoluments of Directors and Supervisors (Continued)

1) The amount paid or payable as emoluments to the 21 (2016: 25) directors and supervisors are as follows: *(Continued)*

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
Shangda	–	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	–	–	–	–	–
Zhange 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.

(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)*

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

(2) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2016: four) were directors. The emoluments of the remaining two individual (2016: one) were as follows:

Item	**For the year ended 31 December 2017**	For the year ended 31 December 2016
Basic salaries and allowance	**1,366**	442
Employer's contributions to retirement benefit scheme	**94**	47
Total	**1,460**	489

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

Item	**For the year ended 31 December 2017**	For the year ended 31 December 2016
HKD0-HKD1,000,000 (equivalent to RMB835,900)	**3**	1
Total	**3**	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 2017**	For the year ended 31 December 2016
HKD0-HKD500,000 (equivalent approximately to RMB417,950)	**2**	–
HKD500,001-HKD1,000,000 (equivalent approximately RMB417,950 to RMB835,900)	**1**	2
Total	**3**	2

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

45. 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 2017 (2016: 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 2017, contributions from retirement benefit scheme recognized in income statement was RMB7,092 thousand (2016: RMB8,711 thousand)

46. Dividends

(1) The directors didn't propose any final divided for 2017 and is subject to shareholders' approval in the forthcoming general meeting.

(2) For the period, the Company did not recognize any profits as dividends to be distributed.

47. Distributable reserve

As at 31 December 2017, the Company's accumulated losses was RMB131,003 thousand (accumulated losses as at 31 December 2016: RMB68,699 thousand).

(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)*

48. Other comprehensive income

Item	**For the year ended 31 December 2017**	For the year ended 31 December 2016
Other comprehensive income to be reclassified to gains or loss:		
Items attributable to investees under equity method subsequently reclassified to profit or loss	**(31)**	–
Exchange differences from retranslation of financial statements	**(41)**	40
Subtotal	**(72)**	40
Total	**(72)**	40

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

Item	**For the year ended 31 December 2017**	For the year ended 31 December 2016
Net profit	**(99,577)**	(70,874)
Add: Impairment loss of assets	**68,822**	60,610
Fixed assets depreciation	**3,661**	3,630
Amortization of intangible assets	**1,513**	1,535
Amortization of long-term prepaid expenses	**867**	1,999
(Loss)/gain on disposal of fixed assets, intangible assets and other long-term assets	**(61)**	(121)
(Gain)/loss on the changes in fair value	**(46,291)**	(21,121)
Financial expenses	**1,055**	(6,460)
Loss/(gain) on investment	**20,648**	(23,608)
(Increase)/decrease in deferred income tax assets	**(2,566)**	526
Increase/(decrease) in deferred income tax liabilities	**3,836**	–
Decrease/(increase) of inventories	**(8,349)**	11,280
Decrease/(increase) in operating accounts receivable	**129,238**	(227,162)
Increase/(decrease) in operating accounts payable	**(89,547)**	138,474
Net cash flow used in operating activities	**(16,751)**	(131,292)

(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)*

50. Changes in cash and cash equivalents

Item	As at 31 December 2017	As at 31 December 2016
Bank balances and cash at the end of year	**325,612**	132,953
Less: Bank balances and cash at beginning of year	**132,953**	234,759
Cash equivalents at the end of year	**–**	–
Less: cash equivalents at beginning of year	**–**	–
Net change in cash and cash equivalents	**192,659**	(101,806)

51. Cash and cash equivalents

Item	As at 31 December 2017	As at 31 December 2016
Bank balances and cash	**363,820**	214,527
Less: Short-term bank deposits with maturity more than 3 months	**31,488**	73,615
Less: Restricted bank deposits	**6,720**	7,959
	325,612	132,953
Representing:		
Cash in hand	**368**	417
Deposits held at call with banks	**325,239**	132,536
Other currencies held at call with banks	**5**	–
Cash and cash equivalents at the end of the year	**325,612**	132,953

52. Major non-cash transactions

During the year, certain advertising customers settled the obligation payable to the Group of RMB4,925 thousand through transferring a property at fair value of RMB3,607 thousand and other inventory at fair value of RMB1,318 thousand.

(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)*

53 Government grants

Item	For the year ended 31 December 2017 included in profit and loss	Included in items of profit and loss
Subsidy for elimination and upgrade of old and used vehicles	24	Other income
Employment subsidy	159	Other income
Advertisement making grant	12	Other income
Total	195	

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

Chongqing PuLantian Western Food Co. has been cancelled and is no longer included in the scope of consolidation.

3. Changes in consolidated scope for other reasons

On 20 March 2017, Beiqing Community Media Technology (Beijing) Co., Ltd., a subsidiary of the Company, established Beiqing Community Travel (Beijing) Corporation Limited and holds 100% of its equity interests. Beiqing Community Travel (Beijing) Corporation Limited is consolidated into the Group's consolidated financial statements.

On 9 August 2017, Beiqing Community Media Technology (Beijing) Co., Ltd., a subsidiary of the Company, established Beijing Beiqing Community and Trading Corporation Limited and holds 100% of its equity interests. Beijing Beiqing Community and Trading Corporation Limited is involved in the Group's consolidated financial statements.

(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 (%) direct	Shareholding percentage (%) indirect	Acquisition methods
BYD Logistics Company Limited	Beijing, PRC	Beijing, PRC	Logistics and warehousing	30,000	92.84	–	Establishment
Beiqing CéCi 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 (formerly Beijing Zhong Wang Shi Tong Technologies Co., Ltd.)	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
Beijing Qingyou Information Technology Co., Ltd.	Beijing, PRC	Beijing, PRC	Game development	30,000	100.00	–	Establishment
Beiqing Community Media Technology (Beijing) Co. Ltd. (Note)	Beijing, PRC	Beijing, PRC	Advertising Services	30,025	52,661	–	Establishment
Chong Qing Youth (America) LLC	California, United States	California, United States	Travel Rental	8,800	–	60.00	Establishment
Beiqing Community Travel (Beijing) Corporation Limited	Beijing, PRC	Beijing, PRC	Travelling service	300	–	52.661	Establishment
Beijing Beiqing Community and Trading Corporation Limited	Beijing, PRC	Beijing, PRC	Commerce	100	–	52.661	Establishment

Note: The Company and Chongqing Huilin Equity Fund (Limited Partnership) entered into capital injection agreement. The Company and Chongqing Huilin Equity Fund (Limited Partnership) agreed to made capital injection in Beiqing Community Media Technology (Beijing) Co. Ltd. by cash in the amount of RMB20,000 thousand and RMB40,000 thousand, respectively. Upon completion of the increase of capital, the Company's shareholding in Beiqing Community Media Technology (Beijing) Co. Ltd. decreased from 54.37% to 52.661%. The actual completion time of both parties is in October 2017.

(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)*

(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 2017
BYD Logistics Company Limited	7.16	(159)	–	5,356
Beiqing CéCi Advertising (Beijing) Limited	15.31	(2,046)	–	12,339
Beiqing Long Teng Investment Management (Beijing) Co., Limited	19.16	(15)	–	2,065
Chongqing Youth Media Company Limited	40.00	(1,319)	–	3,586
Beiqing Community Media Technology (Beijing) Co. Ltd.	47.399	(11,104)	–	36,364

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

	As at 31 December 2017						As at 31 December 2016					
Name of subsidiary	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	143,452	4,435	147,887	73,058	-	73,058	197,943	4,237	202,180	129,578	–	129,578
Beiqing CéCi Advertising (Beijing) Limited	46,160	104	46,264	13,061	-	13,061	55,608	145	55,753	9,188	–	9,188
Beiqing Long Teng Investment Management (Beijing) Co., Limited	9,922	5,009	14,931	8,115	-	8,115	9,954	5,009	14,963	8,067	–	8,067
Chongqing Youth Media Company Limited	4,322	10,398	14,720	5,755	-	5,755	8,044	11,557	19,601	7,270	–	7,270
Beiqing Community Media Technology (Beijing) Co. Ltd.	77,284	17,796	95,080	18,266	-	18,266	51,525	17,487	69,012	28,040	–	28,040

(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 2017				For the year ended 31 December 2016			
	Operating revenue	Net comprehensive profit	Total income	Cash flow from operating activities	Operating revenue	Net comprehensive profit	Total income	Cash flow from operating activities
BYD Logistics Company Limited	**240,625**	**2,226**	**2,226**	**(6,089)**	228,786	(1,187)	(1,187)	(9,624)
Beiqing CéCi Advertising (Beijing) Limited	**12,190**	**(13,362)**	**(13,362)**	**(686)**	26,921	281	281	(2,286)
Beiqing Long Teng Investment Management (Beijing) Co., Limited	**–**	**(80)**	**(80)**	**9**	–	(899)	(899)	(255)
Chongqing Youth Media Company Limited	**7,400**	**(3,299)**	**(3,365)**	**(1,525)**	10,322	(5)	61	(1,246)
Beiqing Community Media Technology (Beijing) Co., Ltd.	**55,323**	**(24,158)**	**(24,158)**	**(23,325)**	54,693	(25,905)	(25,905)	(33,334)

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*

The Company and Chongqing Huilin Equity Fund (Limited Partnership) entered into capital injection agreement. The Company and Chongqing Huilin Equity Fund (Limited Partnership) agreed to made capital injection in Beiqing Community Media Technology (Beijing) Co. Ltd. by cash in the amount of RMB20,000 thousand and RMB40,000 thousand, respectively. Upon completion of the increase of capital, the Company's shareholding in Beiqing Community Media Technology (Beijing) Co. Ltd. decreased from 54.37% to 52.661%. The actual completion time of both parties is in October 2017.

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

Item	Beiqing Community Media Technology (Beijing) Co. Ltd.
Disposal consideration	
Including: cash	40,000
Fair value of non-cash assets	9,823
Total disposal considerations	49,823
Less: The share of the net assets of the subsidiary calculated from the proportion of shares disposed	38,595
Effects of changes	11,228
Including: capital reserve adjustment	11,228

(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

(1) Associates

Name of associates	Registered place	Primary operation place	Business nature	Shareholding (%) Direct	Shareholding (%) Indirect	Voting percentage (%)	Business Structure
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 Jujingcai E-commerce Company Limited	Shijiazhuang	Beijing	Primary agricultural products and other goods sale	44.50	–	44.50	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	18.00	–	18.00	Limited liability Company

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

In March 2017, the Group disposed 20% equity interests in Beijing Lingshi Technology Co. Ltd., the Group completely exits from Beijing Lingshi Technology Co. Ltd.

(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 December 2017/ for the year ended 31 December 2017**	As as 31 December 2016/ for the year ended 31 December 2016
Associates:		
Total book value in investment	**34,596**	37,756
Aggregated amounts per shareholding percentage for the followings:		
– net profits	**(2,181)**	(9,880)
– other comprehensive income	**(31)**	–
– total comprehensive income	**(2,212)**	(9,880)

(3) Excess losses from associates

Name of associates	Accumulated unrecognized losses in the previous years on 31 December 2016	Unrecognized loss for the year (or net profits shared in the year)	**Accumulated unrecognized losses on 31 December 2017**
Beijing Leisure Trend Advertising Company Limited	(3,853)	(725)	**(4,578)**
Beijing Beiqing Shengda Automobile Service Company Limited	(489)	(339)	**(828)**
Beijing Beiqing Top Advertising Limited	(11,074)	(1,536)	**(12,610)**
Hebei Jujingcai E-commerce Company Limited	(421)	(278)	**(699)**
BY Times Consulting Co., Ltd.	–	(41)	**(41)**
Total	(15,837)	(2,919)	**(18,756)**

(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 2017			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
1. Fair value measurement on recurred basis				
(1) Investment property				
1. Leased building	–	156,909	–	156,909
Total assets at fair value on recurred basis	**–**	**156,909**	**–**	**156,909**

The Group's fair value of investment property as at 31 December 2017 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	Beiqing International Investment Consultancy (Beijing) Co. Limited
Subsidiary of BYDA	Beijing Beiqing Advertising Co. Limited
Subsidiary of BYDA	Beijing Youth Journal Agency
Subsidiary of BYDA	Legal Evening Agency
Subsidiary of BYDA	Beijing Science and Technology News Agency
Subsidiary of BYDA	Beijing Education Media Co. Limited
Subsidiary of BYDA	Beijing Youth Weekend Media Co. Limited
Subsidiary of BYDA	Beijing Beiqing 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 Beiqing Top Advertising Limited
Associate of the Company	Beijing Leisure Trend Advertising Company Limited
Associate of the Company	Beijing Beisheng United Insurance Agency Co., Limited
Associate of the Company	Beijing Beiqing Shengda Automobile Service Company Limited
Associate of the Company	Hebei Jujingcai E-commerce Company Limited
Associate of the Company	BY Time Consultanting Co., Ltd.
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)

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 2017	Increasing during the period	decreasing during the period	As at 31 December 2017
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 2017	As at 1 January 2017	As at 31 December 2017	As at 1 January 2017
BYDA	124,840	124,840	63.27	63.27

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

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 2017**	For the year ended 31 December 2016
BYDA (Note)	Contracted price	**14,479**	19,324
Subsidiaries of BYDA	Contracted price	**–**	69
Associates of the Company	Contracted price	**–**	–
Other related parties	Contracted price	**3,023**	3,655
Total		**17,502**	**23,048**

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 2017**	For the year ended 31 December 2016
BYDA	Contracted price	**341**	201
Subsidiaries of BYDA	Contracted price	**10,946**	16,793
Associates of the Company	Contracted price	**737**	2,133
Other related parties	Contracted price	**1,779**	3,463
Total		**13,803**	22,590

(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	4,848
Beijing Shangyou International Travel Agency Limited	Courier Station	2016-1-23	2017-1-22	Contracted price	57
Beijing Shangyou International Travel Agency Limited	Courier Station	2016-4-1	2017-3-31	Contracted price	299

(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 *(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	1,719
BYDA	Building	2016-1-1	2017-9-3	Contracted price	205
Chongqing Youth Daily	Building	2016-4-22	2019-4-21	Contracted price	344

(5) Entrusted Loan

During the year ended 31 December 2017, BYD Logistic company Limited, a subsidiary of the Company, directly provided an entrusted loan in aggregate of RMB4,000 thousand to Beijing Beiqing 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 loan had been repaid on 9 February 2017.

(6) Remuneration for key management personnel

Item	**For the year ended 31 December 2017**	For the year ended 31 December 2016
Remuneration for key management personnel	**3,973**	5,399

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

(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 *(Continued)*

(7) Financial guarantee from related parties

As at 31 December 2017, 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 2017, the utilized bank credit is RMB6,966 thousand.

As at 31 December 2017, BYDA & Legal Evening Agency provided guarantee to the Bank of Jinzhou (Beijing branch) for bank facilities granted to BYD Logistics with a maximum amount of RMB60,000 thousand. The guarantee period commenced from 22 November 2017 to 21 November 2018. As at 31 December 2017, The utilized bank audit is RMB8,229 thousand.

As at 31 December 2017, BYDA provided guarantee to Shengjing Bank (Beijing branch) for bank facilities granted to BYD Logistics with a maximum amount of RMB35,000 thousand. The guarantee period commenced from 27 September 2017 to 26 September 2018. As at 31 December 2017, The utilized bank audit is RMB16,775 thousand.

(8) Connected transactions

Save as the connected transactions and continuing connected transactions disclosed in the chairman's statement of the 2017 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 2017, 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 2017			
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 BYDA	2015-10-22	Rental income Rental expense	5,381 1,909	4,848 1,719
2	Advertising Business Agreement	BYDA	2015-10-22	Payment of exclusive advertising right	55,000	12,012
3	Printing Framework Agreement	BYDA & Subsidiaries	2015-10-22	Payment of printing services	40,000	11,074

(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 *(Continued)*

(8) Connected transactions (Continued)

Sequence number	Name of transaction	Name of connected person	Date of announcement	Nature of transaction	Annual Cap	Amount for the year
			For the year ended 31 December 2017			
4	Distribution Services Framework Agrement	BYDA & Subsidiaries	2015-10-22	Payment for distribution services of direct mail and wrap – around advertisement	3,000	188
5	Advertising Agency Framework Agreement	BYDA & Subsidiaries	2015-10-22	Advertising placement income	50,000	189
		BYDA & Subsidiaries		Advertising placement expense	50,000	1,701

4. The balances of related parties

(1) Accounts receivable due from related parties

Related parties	As at 31 December 2017 Carrying amount	As at 31 December 2017 Provision for bad debts	As at 31 December 2016 Carrying amount	As at 31 December 2016 Provision for bad debts
Associates of the Company	**34,668**	**31,342**	47,098	31,384
Subsidiaries of BYDA	**96,217**	**–**	116,610	–
Other related parties	**242**	**–**	1,139	–
Total	**131,127**	**31,342**	164,847	31,384

(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 2017 Carrying amount	As at 31 December 2017 Provision for bad debts	As at 31 December 2016 Carrying amount	As at 31 December 2016 Provision for bad debts
Associates of the Company	**39**	**39**	39	–
Subsidiaries of BYDA	**6,186**	**–**	6,347	–
Other related parties	**–**	**–**	1,284	–
Total	**6,225**	**39**	7,670	–

(3) Accounts payable due to related parties

Related parties	As at 31 December 2017	As at 31 December 2016
BYDA	**5,496**	470
Subsidiaries of BYDA	**944**	77
Other related parties	**2,189**	1,362
Total	**8,629**	1,909

(4) Other payables due to related parties

Related parties	As at 31 December 2017	As at 31 December 2016
BYDA	**–**	3,307
Subsidiaries of BYDA	**988**	486
Other related parties	**414**	1,398
Total	**1,402**	5,191

(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)*

(5) Receipts in advance due from related parties

Related parties	**As at 31 December 2017**	As at 31 December 2016
Subsidiaries of BYDA	–	180
Associates of the Company	–	2,041
Total	–	2,221

(6) Prepayment due to related parties

Related parties	**As at 31 December 2017**	As at 31 December 2016
BYDA	–	10,703
Subsidiaries of BYDA	–	20
Total	–	10,723

(7) Entrusted loan

Related parties	**As at 31 December 2017**	As at 31 December 2016
Associates of the Company	–	4,000
Total	–	4,000

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

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 2017, the Group had contracted for the minimum lease payments under non-cancelable operating leases during following periods:

Period	**As at 31 December 2017**	As at 31 December 2016
Within one year	**6,048**	14,785
1-2 years	**728**	5,443
2-3 years	**–**	460
After 3 years	**–**	–
Total	**6,776**	20,688

2. The Group as Lessor

As at 31 December 2017, the Group had contracted with tenants for the following future minimum lease payments:

Period	**As at 31 December 2017**	As at 31 December 2016
Within one year	**8,318**	8,216
1-2 years	**457**	8,136
2-3 years	**–**	457
After 3 years	**–**	–
Total	**8,775**	16,809

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

XIII. COMMITMENTS *(Continued)*

3. Use rights of advertising boards

As at 31 December 2017, 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 2017**	As at 31 December 2016
Within one year	**10,914**	42,834
1-2 years	**1,154**	10,914
2-3 years	**–**	1,154
Total	**12,068**	54,902

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, Beiqing Community Newspaper and CéCi magazine.
Printing:	Provision of printing services.
Trading of print-related materials:	Sales of paper, ink, lubricant, film, pre-coating photo sensitive 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.

(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 2017

Item	Advertising	Printing	Trading of print-related material	Distribution	technical services	Unallocated amount	Elimination	Total
Total operating revenue	187,037	24,822	215,718	1,989	37,630	16,531	(57,019)	426,708
Including: Revenue from external transactions	173,263	8,934	189,991	1,989	37,630	14,901	–	426,708
Revenue from intra-segment transactions	13,774	15,888	25,727	–	–	1,630	(57,019)	–
Total operating costs	302,437	23,833	213,942	4,170	37,072	19,147	(52,072)	548,529
Impact due to changes in fair value	–	–	–	–	–	46,291	–	46,291
Investment income	–	–	–	–	–	(20,648)	–	(20,648)
Gain on disposal of asset	–	–	–	–	–	245	–	245
Other income	–	–	–	–	–	195	–	195
Operating profit (loss)	(115,400)	989	1,776	(2,181)	558	23,467	(4,947)	(95,738)
Net operating income and expenses	(483)	(15)	(135)	–	4	–	–	(629)
Total profit	(115,883)	974	1,641	(2,181)	562	23,467	(4,947)	(96,367)
Income tax expenses	(1,776)	80	697	–	155	4,054	–	3,210
Net profit	(114,107)	894	944	(2,181)	407	19,413	(4,947)	(99,577)
Total assets	886,922	15,261	132,626	3,956	32,399	644,500	(320,280)	1,395,384
Total liabilities	153,613	7,539	65,519	1,546	428	21,502	(55,337)	194,810
Supplementary information								
Depreciation and amortization expenses	4,409	56	485	82	834	–	–	5,866
Capital expenditure	1,382	34	293	32	–	5,978	–	7,719
Impairment of assets	58,051	468	4,068	318	–	970	4,947	68,822
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)

XV. SEGMENT INFORMATION *(Continued)*

2. For the year ended 31 December 2016

Item	Advertising	Printing	Trading of print-related material	Distribution	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
Gain on disposal of assets	–	–	–	–	–	136	–	136
Operating profit (loss)	(115,498)	(3,198)	(1,304)	(2,269)	472	60,569	(12,000)	(73,228)
Net operating income and expenses	3,287	21	131	6	4	(145)	–	3,304
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	–	–	–	–	–	–	–	–

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

XVI. OTHER SIGNIFICANT EVENTS

1. Leasing

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

Categories of assets leased out under operating leases	As at 31 December 2017	As at 31 December 2016
Investment properties and fixed assets	**159,448**	106,677
Total	**159,448**	106,677

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

XVII. SUPPLEMENTARY INFORMATION

1. Supplementary information in relation to expenses by nature

Item	**As at 31 December 2017**	As at 31 December 2016
Cost of raw materials and inventory goods	**178,369**	155,508
Press production, printing and distribution and delivery charges	**71,617**	72,531
Advertising space and newspaper operation right transferring fee and agency fee	**80,165**	86,934
Employee remuneration, social security, provident fund, employee benefit, educational fee and union fee	**70,174**	84,372
Leasing, property, utilities and maintenance fee	**19,982**	24,280
Impairment loss on assets	**68,822**	60,610
Intermediary, professional services and labour costs	**34,068**	40,797
Travel, communication, meeting and Business Hospitality	**8,131**	16,663
Film investment funds	**–**	40,149
Office, information and communication costs	**3,081**	8,201
Sales tax and surcharge	**6,685**	8,155
Depreciation and amortization expense	**6,041**	4,743
Activity costs	**–**	508
Transportation and handling charges	**1,256**	447
Property tax, land tax, stamp duty and travel tax	**–**	442
Financial expenses	**(244)**	(3,443)
Others	**382**	502
Total	**548,529**	601,399

2. Earnings per share

Item	**As at 31 December 2017**	As at 31 December 2016
Net profit attributable to shareholders of the Company	**(85,251)**	(58,838)
Weighted average number of issued ordinary shares (thousand shares)	**197,310**	197,310
Earnings per share (RMB)	**(0.43)**	(0.30)

Diluted earnings per share and basic earnings per share for the two years ended 31 December 2016 and 31 December 2017 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 2017	As at 31 December 2016
Financial assets		
Investment at fair value through profit or loss, at fair value	–	–
Loan and receivables (including cash and cash equivalents)	**882,382**	987,834
Financial liabilities, at amortised cost	**155,317**	195,432

Major financial instruments of the Group include bank balances and cash, notes receivable, 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.

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 (2016: 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 (2016: 25) base points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would increase/decrease by nil (2016: 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 2017, 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.

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

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

	Less than 1 year		1-5 years		Total undiscounted		Carrying amount	
Item	**31/12/2017**	31/12/2016	**31/12/2017**	31/12/2016	**31/12/2017**	31/12/2016	**31/12/2017**	31/12/2016
Notes payable	**31,970**	51,188	**–**	–	**31,970**	51,188	**31,970**	51,188
Accounts payable	**30,109**	78,916	**–**	–	**30,109**	78,916	**30,109**	78,916
Other payables	**50,129**	45,191	**–**	–	**50,129**	45,191	**50,129**	45,191
Non-current liabilities due within one year	**–**	5,500	**–**	–	**–**	5,500	**–**	5,500
Long-term loans	**–**	–	**30,000**	–	**30,000**	–	**30,000**	–

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)

XVII. SUPPLEMENTARY INFORMATION *(Continued)*

4. Balance sheet of the Company

RMB'000

Item	Notes	At at 31 December 2017	As at 31 December 2016
Current assets:			
Bank balances and cash		**196,411**	108,104
Accounts receivable	*XVIII.1*	**165,167**	230,400
Prepayments		**17,075**	24,577
Interest receivable		**343**	172
Other receivable		**146,809**	280,287
Inventories		**5,813**	18,270
Other current assets		**34,675**	41,540
Total current assets		**566,293**	703,350
Non-current assets			
Financial assets available-for-sale		**112,638**	113,238
Investment in associates	*XVIII.2*	**325,937**	308,010
Investment properties		**100,625**	63,661
Fixed assets		**4,335**	4,953
Intangible assets		**32,166**	34,899
Other non-current assets		**28,990**	26,590
Total non-current assets		**604,691**	551,351
Total assets		**1,170,984**	1,254,701

(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 2017	As at 31 December 2016
Current liabilities:			
Accounts payable		**6,945**	32,470
Receipts in advance		**18,948**	17,413
Employee benefit payables		**4,501**	4,807
Tax payables		**1,205**	156
Other payables		**36,649**	34,251
Other current liabilities		**1,076**	1,609
Total current liabilities		**69,324**	90,706
Total liabilities		**69,324**	90,706
Shareholders' equity			
Share capital		**197,310**	197,310
Capital reserves		**904,453**	904,453
Other Comprehensive income		**(31)**	–
Surplus reserves		**130,931**	130,931
Undistributed profits		**(131,003)**	(68,699)
Total shareholders' equity		**1,101,660**	1,163,995
Total liabilities and shareholders' equity		**1,170,984**	1,254,701

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

XVII. SUPPLEMENTARY INFORMATION *(Continued)*

5. Statement of changes in shareholders' equity of the Company

RMB'000

Item	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
As at 1 January 2016	**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
Net profit	–	–	–	–	(62,304)	(62,304)
Others	–	–	(31)	–	–	(31)
Sub-total of the changes during the year	–	–	(31)	–	(62,304)	(62,335)
As at 31 December 2017	197,310	904,453	(31)	130,931	(131,003)	1,101,660

XVIII. EXPLANATORY NOTES TO MAJOR ITEMS OF THE COMPANY

1. Accounts receivable of the Company

Item	As at 31 December 2017	As at 31 December 2016
Accounts receivable	**249,648**	296,840
Less: Provision for bad debts	**84,481**	66,440
Net accounts receivable	**165,167**	230,400
For reporting purpose, analysis as:		
Non-current assets – long-term receivables	**–**	–
Current assets – accounts receivable	**165,167**	230,400
Total	**165,167**	230,400

(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 2017	As at 31 December 2016
0-90 days	**21,237**	23,543
91-180 days	**6,151**	18,974
181-365 days	**28,201**	15,800
1-2 years	**35,556**	72,353
Over 2 years	**74,022**	99,730
Total	**165,167**	230,400

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 2017				As at 31 December 2016			
	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	**147,733**	**59.18**	**51,338**	**34.75**	157,914	53.20	33,256	21.06
Related party group	**100,114**	**40.10**	**31,342**	**31.31**	137,125	46.19	31,383	22.89
Sub-total	**247,847**	**99.28**	**82,680**	**33.36**	295,039	99.39	64,639	21.91
Insignificant individual receivables but with bad debt provision made on individual basis	**1,801**	**0.72**	**1,801**	**100.00**	1,801	0.61	1,801	100.00
Total	**249,648**	**100.0**	**84,481**		296,840	100.00	66,440	

(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)*

(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 2017 Amount	Percentage (%)	Provision for bad debts	As at 31 December 2016 Amount	Percentage (%)	Provision for bad debts
Within 1 year	**38,624**	**–**	**–**	37,232	–	–
1-2years	**27,564**	**10.00**	**2,756**	58,286	10.00	5,829
2-3years	**18,818**	**30.00**	**5,645**	33,353	30.00	10,006
3-4years	**24,148**	**50.00**	**12,074**	19,376	50.00	9,688
Over 4 years	**38,579**	**80.00**	**30,863**	9,667	80.00	7,733
Total	**147,733**	**–**	**51,338**	157,914	–	33,256

(3) The top five accounts receivable as at 31 December 2017 represented 47.11% 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 of carrying amount	Provision for bad debts	Carrying value	Balance at the beginning of the year: Balance of carrying amount	Provision for bad debts	Carrying value
Investments in subsidiaries	**294,304**	**–**	**294,304**	274,304	–	274,304
Investments in associates	**31,633**	**–**	**31,633**	33,706	–	33,706
Total	**325,937**	**–**	**325,937**	308,010	–	308,010

(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 CéCi Advertising (Beijing) Limited	55,000	–	–	55,000	–	–
Beijing Beiqing Outdoor Advertisement Co., Ltd.,	39,390	–	–	39,390	–	–
Beiqing Network Culture Communication 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	–	–
Beijing Qingyou Information Technology Co., Ltd.	30,000	–	–	30,000	–	–
Beijing Community Culture Media (Beijing) Limited	15,000	20,000	–	35,000	–	–
Total	274,304	20,000	–	294,304	–	–

(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)*

(3) Investments in associates

Investee	Balance at the beginning of the year	Changes in the current year: Additional investment	Decrease in investment	Investment gain or loss recognized under equity method	Other comprehensive income adjustment	Changes in other equity	Declaration of cash divided or profit	Provision for impairment	others	Balance at the end of the year	Ending balance of impairment provision
Associates											
Beijing Leisure Trend Advertising Company Limited	-	-	-	-	-	-	-	-	-	-	-
Beijing Beiqing Shengda Automobile Service Company Limited	-	-	-	-	-	-	-	-	-	-	-
Beijing Beisheng United Insurance Agency Co. Limited	585	-	-	609	-	-	-	-	-	1,194	-
BY Times Consulting Co., Ltd	2	-	-	(2)	-	-	-	-	-	-	-
Beijing Beiqing Top Advertising Limited	-	-	-	-	-	-	-	-	-	-	-
Hebei Jujingcai E-commerce Company Limited	-	-	-	-	-	-	-	-	-	-	-
Beijing International Advertising Media Group Co., Limited	33,119	-	-	(2,649)	(31)	-	-	-	-	30,439	-
Total	33,706	-	-	(2,042)	(31)	-	-	-	-	31,633	-

XIX. APPROVAL OF FINANCIAL REPORT

This financial report was approved by the Board of the Company on 29 March 2018.

Beijing Media Corporation Limited

29 March 2018