BEIJING 北青传媒 MEDIA

HK Stock Code: 1000

2018 ANNUAL REPORT

Beijing Media Corporation Limited

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

Content

COMPANY PROFILE

Beijing Media Corporation Limited (the "Company" or "Beijing Media", together with its subsidiaries, collectively referred to as the "Group") is one of the leading media companies in the People's Republic of China (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 2018)

Beijing Media Corporation Limited

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

Note: Beiqing Long Teng completed the procedures of registration of change with the industrial and commercial administration authorities on 19 November 2013, and the registered capital was RMB50,000 thousand. The shareholding of the Company was 51%. As of the end of the reporting period, the paid-up capital of Beiqing Long Teng was RMB26,100 thousand, of which the paid-up capital from the Company accounts for 80.84%.

COMPANY WEBSITE

www.bjmedia.com.cn

STOCK INFORMATION

- Stock Code: 1000
- Board Lot: 500 shares
- Number of Shares Issued (as at 31 December 2018): 197,310,000 shares
- Market Capitalisation (as at 31 December 2018): HK$292.02 million
- Financial Year End: 31 December
- Bloomberg's Stock Machine Search Code: 1000HKEquity
- Reuters Stock Machine Search Code: 1000.HK

AS AT 31 DECEMBER 2018

EXECUTIVE DIRECTORS
Ji Chuanpai *(Chairman)* *Note 1*
Li Xiaobing *(President)* *Note 2*
Yang Wenjian *(Executive Vice President)*
Peng Liang *Note 3*
Shang Da *(Vice President)*

NON-EXECUTIVE DIRECTORS
Zang Furong
Wu Bin
Liu Hong
Sun Fang *Note 4*

INDEPENDENT NON-EXECUTIVE DIRECTORS
Wu Tak Lung
Cui Enqing
Chen Ji
Wu Changqi
Chow Bing Chuen *Note 5*

JOINT COMPANY SECRETARIES
Shang Da
Yu Leung Fai

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

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

NOMINATION COMMITTEE
Ji Chuanpai *(Chairman)* *Note 1*
Chen Ji
Wu Changqi

AUTHORISED REPRESENTATIVES
Ji Chuanpai *Note 1*
Li Xiaobing *Note 2*

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
10/F., Guangdong Investment Tower,
148 Connaught Road Central, Hong Kong *Note 6*

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
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.

Notes:

1. Upon the approval at the annual general meeting of the Company convened on 28 June 2018, Mr. Ji Chuanpai was appointed as an executive Director of the 6th session of the Board. At the 19th meeting of the 6th session of the Board convened on the same day, Mr. Ji Chuanpai was appointed as chairman of the Board, chairman of the Nomination Committee and authorised representative of the Company. Prior to this, Mr. Zhang Yanping, due to his reaching the retirement age, resigned from the positions as chairman of the Board, chairman of the Nomination Committee, executive Director and authorised representative of the Company on the same day. Please refer to the announcement of the Company dated 28 June 2018 for details.

2. Upon the approval at the 15th meeting of the 6th session of the Board convened on 17 January 2018 and the annual general meeting of the Company convened on 28 June 2018, Mr. Li Xiaobing was appointed as the Company's president and an executive Director of the 6th session of the Board and as authorised representative of the Company replacing Mr. Peng Liang respectively. Please refer to the announcement of the Company dated 17 January 2018, 29 March 2018 and 28 June 2018 for details.

3. Due to work adjustment, Mr. Peng Liang resigned from the concurrent position as an executive vice president on 17 August 2018. Please refer to the announcement of the Company dated 17 August 2018 for details.

4. Upon the approval at the annual general meeting of the Company convened on 28 June 2018, Mr. Sun Fang was appointed as a non-executive Director of the 6th session of the Board. Please refer to the announcement of the Company dated 11 June 2018 and 28 June 2018 for details.

5. Due to physical conditions, Mr. Chow Bing Chuen conveyed to the Board his request to resign from the positions as an independent non-executive Director and a member of the Audit Committee on 12 December 2018. The above resignation takes effect upon the approval of the appointment of the new independent non-executive Director by the Shareholders at a general meeting of the Company and the approval of the appointment of the new member of the Audit Committee by the Board, respectively. On the same day, Ms. Shi Hongying was nominated as an independent non-executive Director of the Company with effect from the date of approval by the Shareholders at a general meeting of the Company. Please refer to the announcement of the Company dated 12 December 2018 for details.

6. 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.

DEAR SHAREHOLDERS,

On behalf of the Group, I am pleased to present the report on the results of the Group for the year of 2018. 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.

In 2018, monetary liquidity remained tight and macro economic growth slowed down, therefore, advertising placement in the print media market in general had slowed down, resulting in a decrease in the Group's operating income.

In 2018, the Group continued to optimize its top-layer design. The Group established a specific task unit to reposition the investee and controlling companies and disposed of those investee and controlling companies that did not match with the long-term planning of the Group, and reorganized the business segments of the Group while disposing of unprofitable enterprises.

In 2018, the Company enhanced the unification of multimedia, optimized the industrial allocation and product mix.

In 2018, the Company adopted multiple initiatives to stringently control costs. The Group conducted inspection and integration of the office premises for the headquarters and its subsidiaries so as to achieve optimization in resource utilization. The Company also streamlined its staff management by reducing surplus employees and redeploying resources so as to optimize allocation of human resources. In addition, the Group re-evaluated and addressed potential risk, strengthened periodic audits, reinforced risk management so as to built a solid operational foundation.

In 2019, in anticipation of the emergence of economic stimulus and the expected favourable overall macro economy, the Group will take this opportunity to further improve management and endeavour to achieve best results for investors.

The Group's optimization initiatives mentioned above will have significant and profound impact on the Group's long-term, stable and positive development in the future. The Group's business in 2018 was based on the concerted efforts of the entire management teams and staff in each of our business units. The Group's key success factors were the keen insights to market opportunities and the excellent quality of our management teams and staff. On behalf of the Shareholders and other members of the Board, I would like to express my heartfelt and sincere gratitude to the entire management teams and staff in each of our business units.

Ji Chuanpai
Chairman

29 March 2019
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 income for 2018 was RMB344,625 thousand, representing a 19.24% decrease compared with 2017 (2017: RMB426,708 thousand). Net loss attributable to Shareholders for 2018 was RMB277,310 thousand (2017: RMB85,251 thousand).

In 2018, the Company had made full provision for the other receivables of Beiqing Transmedia Co., Ltd. ("Beiqing Transmedia") and Beijing Trans-media Co., Ltd. ("Trans-media") and the goodwill of Beiqing CéCi Advertising (Beijing) Limited ("Beiqing CéCi"), with the total amount of the provision of RMB175,465 thousand. For details, please refer to the announcement of the Company dated 3 August 2018. Excluding the impact of the above provision, net loss attributable to Shareholders for 2018 was RMB101,845 thousand, representing an increase of 19.46% as compared with last year.

The decline in financial results for this year are mainly due to the following reasons:

1. The influence of the overall macro economic condition and marco economic policy.

2. The influence of the swift development in new media.

3. The further decline in the Company's core operating income.

In 2019, the Group will take advantage of multimedia to explore new horizons.

In 2019, the Group will further enhance its management and form effective incentive mechanism.

In 2019, it is expected that a moderate macroeconomic policy will be forecasted, and the real estate environment of Beijing, which is an important source of revenue of the Group's advertising business, will be improved. Up to now, the introduction of reducing interest rate and tax measures for purchasing real estates in Beijing will stimulate the sales growth, and more positive factors are expected to be seen later. The Company will push forward and capture more market shares on the basis of improving its incentive mechanism.

Advertising Business

During 2018, revenue from the Group's advertising business was RMB125,782 thousand (RMB173,263 thousand for the corresponding period in 2017), representing a year-on-year decrease of 27.40%.

In 2018, affected by the policies, the real estate sales in Beijing remained weak, resulting in the decrease of revenue from advertising business of the Group as compared with last year. The Company strived for transformation, and enhanced its management, adjusted product mix, industrial structure and teams for its internal operation, while focusing on direct sales system and establishing direct sales channels to develop new media marketing strategy for its external business.

GROUP BUSINESS REVIEW *(Continued)*

Advertising Business *(Continued)*

In 2018, the Company further promoted the transformation of multimedia and adopted the following measures in respect of advertising business:

1. **Comprehensively implementing a direct sales system and combining special issues with activities**

   As the implementation of a direct sales system in the real estate industry in 2017 achieved preliminary results, in 2018, the Company comprehensively implemented the direct sales system and established direct sales channels. By making use of the advantages in key industries including real estate, finance and automobile and introducing a tailor-made model for event promotion and theme planning, the Company increased efforts on attracting investment and achieved integrated online and offline marketing, thus effectively attracting advertising placement.

   The Company's teams of key industries including finance, real estate and automobile launched theme planning and special issues on schedule and on a monthly basis, so as to attract placement from advertising customers. The finance team launched nine editions of special issues with a total of 27 customers placing their advertisements. The Company's finance team organized the "Financial Stars" award ceremony on a regular basis, and the automobile team organized the "Election of Preferred Vehicles by Tens of Thousands of Young People In Beijing" (萬名京城青年票選青年首選車), while the integrated life team organized the "List of Good Reputation" (美譽榜) award ceremony, all of which significantly enhanced the brand influence of Beijing Media.

2. **Optimizing the sales team and actively adapting to marketing diversification of new media**

   In 2018, to cope with the changes in new media marketing, the Company newly recruited promoters and optimized technique staff for new media as well as strengthened trainings of new media marketing with an aim to build a professional new media marketing team to ensure the continuous upgrade of new media products. It also enhanced performance assessment and implemented an assessment and management system with people-oriented and stricter standards for selecting the superior and eliminating the inferior which effectively stimulated team spirit.

Film and Television Business

In 2018, the Company continued to focus on quality films and television and gained good social benefits. It moderately participated in online films and television to adapt to the diversification of broadcasting platforms for films and television. "38th Parallel" (《三八線》) (the first TV series presented by the Company as the lead-presenter based on the background of Korean civil war) was awarded the Excellent TV Series Award for Major Revolutionary Historical Themes (重大革命歷史題材優秀電視劇獎) at the 31th China TV Drama "Flying Apsaras Awards" (飛天獎). "Grain Field" (《天下糧田》) (the costume drama series involved the investment by the Company) was awarded the Outstanding TV Series Award at the 29th China TV Golden Eagle Awards (中國電視金鷹獎). The online drama of Cover the Sky (《素手遮天》), which the Company co-produced had been exclusively broadcasted on Tencent Video on 2 July 2018 during the summer holiday. At the same time, the Company fully utilizing its advantages in content planning and actively participated in the preliminary planning and development of films and television. Setting Sail (《啟航》) (the TV series involved the planning of the Company) has been selected as one of "Key Projects of Beijing 2017 Cultural Boutique Program", and its production is completed and ready for release. The Company will keep its focus on key projects in the film and television market and further enrich the branded content for the media culture of Beijing Media.

GROUP BUSINESS REVIEW *(Continued)*

Results of major subsidiaries of the Group

Beiqing CéCi is a 84.69%-owned subsidiary of the Company. Beiqing CéCi focuses on the agency of advertising business in CéCi (《茜茜姐妹CéCi》) magazine, a premium women's magazine for fashion mavens. The operating license of Beijing CéCi expired on 30 April 2018. Currently, as the negotiation on the extension of cooperation with the cooperating partner Jcontentree Corp. has not reached unanimous consensus, Beiqing CéCi cannot extend its business license. The business is currently in stagnation stage.

Beiqing Community Media is a 52.661%-owned subsidiary of the Company. Relying on its brand advantages and marketing methods, Beiqing Community Media uses mobile internet technology to integrate online and offline resources of the community, and pursues the Beiqing's strategy of "going down to grassroots" through the multi-channel joint communication means of paper media + ground service + mobile platform. With nearly 5 years of endeavor, it established an innovative communication and service platform with the model of "19 newspapers of Beiqing Community Daily + Community Station + Community Media WeChat Matrix".

Beiqing Community Media built a three-in-one business model based on the three business segments of Beiqing Community Daily, Community Station and WeChat Matrix to get access to the last 100 meters of the community to achieve seamless connections with residents through different online and offline media. Up to now, Beiqing Community Media has a total of 19 newspapers of Beiqing Community Daily across the whole urban area of Beijing, including CBD, Shunyi, Tongzhou, Daxing and Fangshan, and operated a total of 32 certified WeChat public accounts for different living areas of Beijing together with the cooperation with Beijing government departments to operate over 50 public accounts. The total number of followers of WeChat accounts had exceeded 700,000 people. In 2018, Beiqing Community Media actively promoted the operation of a series of new media including WeChat public accounts, mobile APP and headlines accounts, and seized the opportunity of developing the unification of multimedia by Beijing. It also undertook dozens of new media projects for enterprises, streets and the government and cooperated with the Chaoyang District Government to develop and operate the official news APP "Beijing Chaoyang" (「北京朝陽」) of the Chaoyang District.

In 2018, based on the continuous expansion of traditional source of revenue including on-site events and advertising placement for customers from automobile and real estate industries, Beiqing Community Media also targeted to government projects which became an important source of operating income. Beiqing Community Media successively built close cooperative relations with various municipal departments, including Beijing Municipality Committee of the Chinese Communist Youth League, Beijing Municipal Bureau of Sport, Capital Civic Enhancement Committee Office, Beijing Municipal Commission of Tourism Development and Beijing Cultural and Creative Industry Promotion Center, and committees, offices and bureaus of various districts and counties as well as offices at village, town and community level, and gradually became an important partner in procurement of government projects.

In addition, Beiqing Community Media continued to develop a series of self-owned brand products which were different to those developed by other competitors. Among which, Beiqing OK Annual Ticket Project (北青OK家年票項目) adopted new operation model and gained excellent sales results, thus effectively enhancing its brand influence. Beiqing Community Media also cooperated with sub-district offices to build the "Station for National Studies" (國學書香驛站), which attracted residents to participate in various activities of the station by creating an environment for community culture, reading and public use. It also gained the capital support by the government and drew the attention of investors.

GROUP BUSINESS REVIEW *(Continued)*

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

In 2018, Beiqing Community Media's net loss decreased as compared with the same period last year.

Beiqing Network Culture is a wholly-owned subsidiary of the Company. Beiqing Network Culture, as a limited partner, formed Beijing Runxin Dingtai Investment Centre (limited partnership) (the "Fund") in 2013. Currently, the Fund also actively promoted the remaining investment projects to realize exits via listing, shell activity, NEEQ or merger and acquisition by listed companies etc. Among the companies invested by the Fund, following the backdoor listing of Beijing Tianshenhudong Technology Co., Ltd in 2015 and collection of return of RMB33,490 thousand for such project, two companies which applied for listing and submitted relevant materials to CSRC in 2018 were listed successfully. In particular, Nanjing Well Pharmaceutical Co., Ltd. (stock code: 603351) was listed on the main board of Shanghai Stock Exchange on 30 January 2019, and Jushri Technologies, Inc (stock code: 300762) was listed on ChiNext of Shenzhen Stock Exchange on 14 March 2019.

Chongqing Media is a 60%-owned subsidiary of the Company. In 2018, Chongqing Media extensively promoted the transformation of new media, with the WeChat public account of Chongqing Youth Daily being included in Top 40 accounts for the "List of Top 100 WeChat Accounts for Newspapers" (報紙微信百強榜名單) of People's Daily Online. Today Headlines (今日頭條) of Chongqing Youth Daily won the 23rd place in the national media list and the first place in Chongqing. Chongqing Media produced new media works of "Chongqing Youth Daily's Invitation and Visit to Intelligent Expo" (重慶青年報邀你一起暢遊智博會) and "20th Anniversary of Direct Jurisdiction" (直轄20周年), which won the Excellence Award of the First Chongqing New Media Work Competition (重慶新媒體作品大賽). In addition, Chongqing Headlines (重慶頭條) APP was updated to version 2.1.2, which featured improved functions and effectively enhanced user experience. In 2018, Chongqing Media achieved a loss reduction.

BYD Logistics is a 92.84%-owned subsidiary of the Company, principally engaged in printing and trading business of printing-related materials. In 2018, affected by the environmental policies, the price kept increasing as a result of the shortage of raw materials for paper, while the demand of print market reduced to a relatively significant extent as a result of the market environment. BYD Logistics actively stock up and expanded new sales mix of paper based on ensuring the stable cost of the Group's self-use printing paper.

Beiqing Outdoor is a wholly-owned subsidiary of the Company which principally engages in the operation of urban outdoor single column billboards. In 2018, the Group actively expanded the management team of Beiqing Outdoor and continued to operate a total of four single column billboards which it had acquired their concession rights in prime locations such as West 5th Ring Road in Beijing and Jingcheng Expressway. In the light of severe market conditions, through its efforts, it had entered into short-term and transpositional advertising cooperation with its customers, and at the same time established sound agency relationships with its business partners, with an aim to increase source of revenue without increasing costs.

Prospects and future plans

In 2019, the Group will continue to adopt cost control measures in all dimensions;

In 2019, the Group will continue to optimize its industrial and product structure, and integrate resources to increase efficiency;

In 2019, the Group will continue to strengthen its operations and management, improve its operational quality, and enhance its competitiveness;

In 2019, with the existing businesses remains as the core, the Group will actively expand into new businesses, cultivate new profit growth point, and persistently consolidate and leverage on the relationship with BYDA to promote the development of the Group's business, enhance its brand influence 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 Income

Total operating income of the Group for 2018 was RMB344,625 thousand (2017: RMB426,708 thousand), representing a decrease of 19.24% as compared with 2017, of which, revenue from advertising sales was RMB125,782 thousand (2017: RMB173,263 thousand), representing a decrease of 27.04% as compared with 2017; revenue from printing was RMB6,832 thousand (2017: RMB8,934 thousand), representing a decrease of 23.53% as compared with 2017; and revenue from trading of print-related materials was RMB188,434 thousand (2017: RMB189,991 thousand), representing a decrease of 0.82% as compared with 2017.

2. Operating Cost and Sales Tax and Surcharges

Operating cost of the Group for 2018 was RMB325,681 thousand (2017: RMB378,758 thousand), representing a decrease of 14.01% as compared with 2017, of which, cost of advertising sales was RMB123,457 thousand (2017: RMB150,027 thousand), representing a decrease of 17.71% as compared with 2017; cost of printing was RMB5,509 thousand (2017: RMB7,431 thousand), representing a decrease of 25.86% as compared with 2017; and cost of trading of print-related materials was RMB177,394 thousand (2017: RMB177,287 thousand), representing an increase of 0.06% as compared with 2017. Tax and surcharges were RMB6,125 thousand (2017: RMB6,685 thousand), representing a decrease of 8.38% as compared with 2017.

3. Gross Profit

Gross profit of the Group for 2018 was RMB18,944 thousand (2017: RMB47,950 thousand), representing a decrease of 60.49% as compared with 2017; gross profit margin of the Group for 2018 was 5.50% (2017: 11.24%).

4. Selling Expenses

Selling Expenses of the Group for 2018 was RMB22,325 thousand (2017: RMB49,209 thousand), representing a decrease of 54.63% as compared with 2017.

5. Administrative Expenses

Administrative expenses of the Group for 2018 was RMB46,145 thousand (2017: RMB45,299 thousand), representing an increase of 1.87% as compared with 2017.

6. Financial Expenses

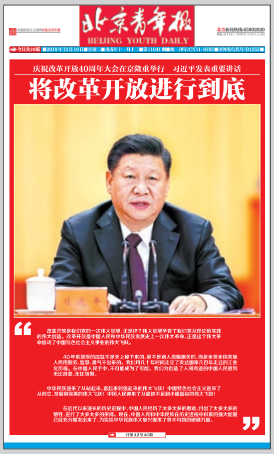
Financial expenses of the Group for 2018 was RMB-1,308 thousand (2017: RMB-244 thousand), representing an increase of 436.07% in absolute value as compared with 2017, of which, interest income was RMB2,093 thousand (2017: RMB2,613 thousand), representing a decrease of 19.90% as compared with 2017; and foreign exchange loss was RMB1 thousand (foreign exchange gain for 2017: RMB13 thousand).

7. Share of Loss of Associates

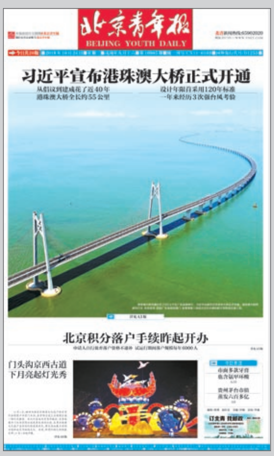
Share of loss of associates of the Group for 2018 was RMB12,415 thousand (2017: loss of RMB2,181 thousand), representing an increase of loss of 469.23% as compared with 2017.

8. Operating Profit

Operating profit of the Group for 2018 was RMB-288,562 thousand (2017: RMB-95,738 thousand), representing an increase of loss of 201.4% as compared with 2017.


北京青年报
BEIJING YOUTH DAILY
庆祝改革开放40周年大会在京隆重举行 习近平发表重要讲话
将改革开放进行到底


北京青年报
BEIJING YOUTH DAILY
北京将从重从严处罚非法"一日游"
陌生人多次进出公租房自动报警


北京青年报
BEIJING YOUTH DAILY
习近平宣布港珠澳大桥正式开通
北京积分落户手续昨起开办

FINANCIAL POSITION AND OPERATIONAL RESULTS *(Continued)*

9. Income Tax Expenses

Income tax expenses of the Group for 2018 was RMB1,575 thousand (2017: RMB3,210 thousand), representing a decrease of RMB1,635 thousand or 50.93% in absolute value as compared with 2017. 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), the Company will continue to enjoy preferential enterprise income tax exemption during the period from 1 January 2014 to 31 December 2018.

According to the requirements of the "the Central Publicity Department and forwarded by the Ministry of Finance, the State Administration of Taxation and the Publicity Department of the Communist Party of China" (Cai Shui [2019] No. 16), enterprises which completed the transformation prior to 31 December 2018 may continue to be exempted from a five-year enterprise income tax since 1 January 2019.

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

Net loss of the Group for 2018 was RMB292,213 thousand (2017: net loss of RMB99,577 thousand), of which, net loss attributable to Shareholders was RMB277,310 thousand (2017: RMB85,251 thousand).

11. Final Dividend

The Board did not propose a final dividend for the year 2018 (2017: Nil).

12. Net Current Assets

As at 31 December 2018, net current assets of the Group was RMB500,947 thousand (31 December 2017: RMB771,096 thousand). Current assets mainly comprised bank balances and cash of RMB199,925 thousand (31 December 2017: RMB363,820 thousand), notes receivable and accounts receivable of RMB261,967 thousand (31 December 2017: RMB302,898 thousand), prepayments of RMB18,528 thousand (31 December 2017: RMB8,886 thousand), other receivables of RMB99,649 thousand (31 December 2017: RMB173,368 thousand), inventories of RMB21,087 thousand (31 December 2017: RMB36,288 thousand), non-current assets due within one year was Nil (31 December 2017: Nil), and other current assets was RMB32,322 thousand (31 December 2017: RMB42,296 thousand). Current liabilities mainly comprised notes payable and accounts payable of RMB23,890 thousand (31 December 2017: RMB62,079 thousand), receipts in advance of RMB0 thousand (31 December 2017: RMB30,067 thousand), contracted liabilities of RMB47,617 thousand (31 December 2017: Nil), employee benefit payables of RMB7,726 thousand (31 December 2017: RMB8,060 thousand), interest payable was Nil (31 December 2017: Nil), tax payables of RMB2,233 thousand (31 December 2017: RMB5,049 thousand), other payables of RMB51,065 thousand (31 December 2017: RMB50,129 thousand), non-current liabilities due within one year was Nil (31 December 2017: Nil), and other current liabilities was Nil (31 December 2017: RMB1,076 thousand).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2018, current assets of the Group was RMB633,478 thousand (31 December 2017: RMB927,556 thousand), including bank balances and cash of RMB199,925 thousand (31 December 2017: RMB363,820 thousand) and non-current assets was RMB525,808 thousand (31 December 2017: RMB467,828 thousand).

As at 31 December 2018, current liabilities of the Group was RMB132,531 thousand (31 December 2017: RMB156,460 thousand) and non-current liabilities was RMB16,163 thousand (31 December 2017: RMB38,350 thousand).

As at 31 December 2018, Shareholders' equity of the Group was RMB1,010,592 thousand (31 December 2017: RMB1,200,574 thousand).

GEARING RATIO

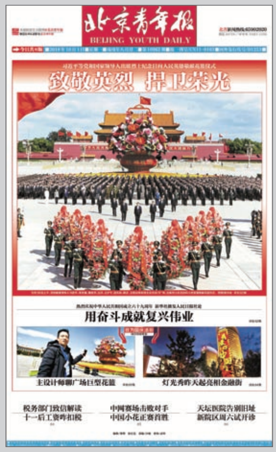
As at 31 December 2018, gearing ratio of the Group was 14.71% (31 December 2017: 16.23%) (the gearing ratio is derived from dividing the Group's total liabilities by its total equity).

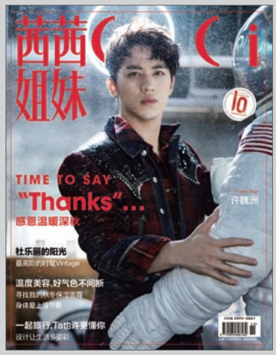
BANK BORROWINGS, OVERDRAFTS AND OTHER BORROWINGS

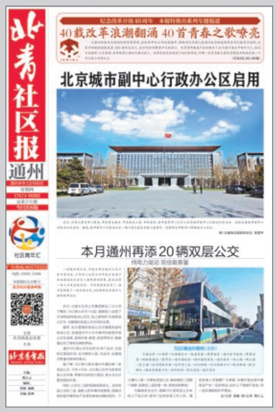
As at 31 December 2018, bank loans of the Group was RMB6,927 thousand (31 December 2017: RMB30,000 thousand). The currency unit of cash and cash equivalent held by the Group was Renminbi.

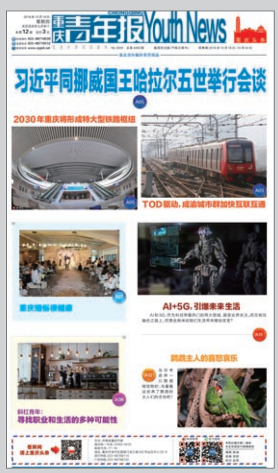
FINANCING COST

Financing cost of the Group for 2018 was RMB706 thousand (2017: RMB1,073 thousand).









FIVE-YEAR RESULTS HIGHLIGHTS

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total operating income	**344,625**	426,708	483,306	509,257	680,769
Net profit	**(292,213)**	(99,577)	(70,874)	(54,478)	4,896
Net profit attributable to Shareholders of the Company	**(277,310)**	(85,251)	(58,838)	(45,372)	10,506
Earnings per share – basic and diluted *(RMB)*	**(1.39)**	(0.43)	(0.30)	(0.23)	0.05

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**1,159,286**	1,395,384	1,500,835	1,554,421	1,595,590
Total liabilities	**148,694**	194,810	240,586	231,776	284,622
Total equity attributable to Shareholders of the Company	**966,545**	1,140,864	1,214,959	1,265,345	1,281,732
Shareholders' equity per share as at the end of the year *(RMB)*	**4.90**	5.78	6.16	6.41	6.50

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 2018)

	Number of shares	% of total share capital (%)
Holders of domestic shares		
– BYDA	124,839,974	63.27
– Beijing Chengshang Cultural Communication Co., Ltd. Note 1	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 2	54,901,000	27.82
Total share capital	197,310,000	100.00

Notes:

1. Beijing Zhijin Science and Technology Investment Co., Ltd., a domestic Shareholder of the Company, entered into an equity transfer agreement with Beijing Chengshang Cultural Communication Co., Ltd. ("Chengshang Cultural") on 15 May 2018 to transfer the entire domestic shares (a total of 7,367,000 shares) of the Company to Chengshang Cultural, and completed the equity transfer registration on 28 May 2018.

2. Including 19,533,000 outstanding H Shares held by 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 2018 was RMB2,418 thousand (2017: RMB7,719 thousand). Capital expenditures of the Group for 2018 was mainly comprised of the expenditures consistent with business strategies.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

On 27 May 2017, Beijing Beiqing Outdoor Advertisement Co., Ltd. ("Beiqing Outdoor"), a subsidiary of the Company, has entered into 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 2018, the Group did not have any other contingent liabilities or any pledge of assets.

MATERIAL INVESTMENTS

During the Reporting Period, the Group had no material investments or any plan related to material investment or acquisition of assets.

MATERIAL ACQUISITION AND DISPOSAL OF ASSETS

During the Reporting Period, the Group had no material acquisition or disposal of assets.

FOREIGN EXCHANGE RISKS

Renminbi is the functional currency of the Company. The Company's operations conducted in the PRC are mainly settled in Renminbi. However, certain payables are settled in foreign currency (mainly HKD). Therefore, the Company is exposed to fluctuations in foreign exchange rate to a 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 placing equal emphasis on development and environment protection. 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 from production and operation on the ecological environment in terms of resource utilization and other aspects. During the Reporting Period, 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 Reporting Period, 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 Reporting Period, 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. During the Reporting Period, the Group held staff trainings, and organised the staff to watch arts performances 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. During the Reporting Period, there was no significant and material dispute between the Group and its suppliers and/or customers.

FOR THE YEAR ENDED 31 DECEMBER 2018

EXECUTIVE DIRECTORS

Mr. Ji Chuanpai, 49, is the chairman of the Board and an executive Director and currently the secretary of the Party Committee and president of BYDA and is also a senior journalist. Mr. Ji obtained a bachelor's degree in Chinese language and literature from Chinese department of Shandong University and a master's degree of Law in International Relations from the School of International Studies, Peking University. Mr. Ji worked for Beijing Daily from January 1999 to November 2014 and served as director of social news department, director of political news department, director of cultural news department and member of the editing committee of Beijing Daily. Mr. Ji served as deputy editor in chief of Qian Xian magazine of the Beijing Committee of the Communist Party of China from November 2014 to April 2018. Mr. Ji has served as the secretary of the Party Committee and president of BYDA since April 2018. Mr. Ji was appointed as a Director on 28 June 2018.

Mr. Li Xiaobing, 48, is the president and an executive Director of the Company and currently a member of the Party Committee and standing vice president of BYDA. Mr. Li obtained an executive master degree of Business Administration from Tsinghua University in 2007. From 1996 to 2003, Mr. Li served as a vice secretary and a secretary to Commission of Communist Youth League in Daxing District, Beijing. From August to December in 2003, Mr. Li served as a vice secretary to Publicity Department of Beijing Daxing District Committee 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. Li was appointed as a Director on 28 June 2018.

Ms. Yang Wenjian, 48, is the executive vice president and an executive Director. Ms. Yang graduated from the Beijing International Studies University in 1992 with a bachelor of arts degree. Ms. Yang worked for Sino-Japan Youth Communication Center from August 1992 to March 1996, and then 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.

Mr. Peng Liang, 46, is an executive Director. 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. Mr. Peng was appointed as executive vice president of the Company from 31 March 2017 to 17 August 2018. Mr. Peng was appointed as a Director on 30 June 2016.

EXECUTIVE DIRECTORS *(Continued)*

Mr. Shang Da, 57, is the vice president, the joint company secretary, the secretary to the Board and executive Director. Mr. Shang obtained a Bachelor's Degree in Trade and Economics from Capital University of Economics and Business and an EMBA degree from Dongbei University of Finance and Economics. Mr. Shang 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 to 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, 58, is currently a member of the Party Committee, chairman of the labour union, and director of inspection office in BYDA and a non-exective Director. Ms. Zang graduated from Beijing Fengtai Normal College majoring in physics in 1980, from Beijing Institute of Education majoring in ideological and political education in 1987, and from Party School of the Central Committee of C.P.C. majoring 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, 50, is currently the deputy president, the member of the Disciplinary Inspection Commission of BYDA and a non-executive Director. Mr. Wu Bin graduated from Beijing Institute of Education majoring in geography in 1991, and from Adult Education College in Beijing Administrative College majoring in administrative management in 1999. Mr. Wu Bin 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 Bin 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 Bin 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 Bin has over 14 years of experience in media business. Mr. Wu Bin was appointed as a Director on 30 June 2017.

Mr. Liu Hong, 45, is a non-executive Director. Mr. Liu is currently vice chairman of Faraday Automotive (China) Co. Ltd. (法法汽車（中國）有限公司). Mr. Liu served as a reporter in China Radio International from 1997 to 2004, and served as vice chairman and director of Leshi Internet Information & Technology Corp., Beijing from 2004 to June 2018. 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.

NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Sun Fang, 45, is a non-executive Director. Mr. Sun obtained a bachelor degree in Law from Renmin University of China in July 1995 and an EMBA degree from School of Economics and Management of Tsinghua University in March 2010, and was qualified as practicing securities investment analyst in 2004 and fund practitioner in 2016. Mr. Sun worked for China Beijing TV Station from 1995 to 2010 and served successively as the editor and reporter of Nightly News (《晚間新聞》), editor in charge of Beijing NEWS (《北京新聞》), editor in chief of Capital Economics Report (《首都經濟報道》) and EVENING NEWS REPORT (《晚間新聞報道》), producer of Securities Infinite (《證券無限》) and World Finance and Economics (《天下財經》) for Beijing TV Finance Channel. Mr. Sun served as general manager of Shouhua Financial and Economic Media Corporation Limited (首華財經傳媒有限公司) from September 2010 to December 2012. Mr. Sun served as chief executive of Beijing STARS Fund Investment Limited from January 2013 and director of Chang Jiang Culture Co., Ltd. (837747.OC) from 2016 and chairman of China B-TO-B Holdings Ltd. from April 2017 and fund director of Hong Kong Asian Pacific Film Corporation Fund (香港亞太影視合作基金) from 2018. Mr. Sun was appointed as a Director on 28 June 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Tak Lung, 53, is an independent non-executive Director. Mr. Wu Tak Lung 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 Tak Lung was awarded the bachelor's degree in Accounting by the Hong Kong Baptist University and the master's degree in Finance jointly awarded by the University of Manchester and the University of Wales. Mr. Wu Tak Lung had worked in an international accounting firm namely 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 Tak Lung currently serves 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) and Henan Jinma Energy Company Limited (06885.HK), which are companies listed on the Hong Kong Stock Exchange, and Olympic Circuit Technology Co., Ltd. (603920.SH), a company listed on the Shanghai Stock Exchange. During the last three years, Mr. Wu Tak Lung once served as the independent non-executive director of Aupu Group Holding Company Limited (delisted in September 2016, previous stock code: 00477.HK), First Tractor Company Limited (0038.HK) (601038.SH), Sinotrans Shipping Limited (delisted in January 2019, previous stock code: 00368.HK) and Huarong Investment Stock Corporation Limited (02277.HK), whose shares are listed on Hong Kong Stock Exchange. Mr. Wu Tak Lung 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 Tak Lung was appointed as a Director on 15 May 2013.

Mr. Cui Enqing, 75, 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 the Party School of the Central Committee of the Communist Party of China in Beijing with a college degree in Economics and Management in 1991. Mr. Cui had worked at the Communist Party Committee of Shijing Shan District, 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 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 the 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Chen Ji, 67, 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, with 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, 64, is an independent non-executive Director. Mr. Wu Changqi 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 Changqi served as a lecturer and an assistant professor in economics of the Business School in Hong Kong University of Science and Technology in 1991 and 1994, respectively. Mr. Wu Changqi 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 Changqi 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 Changqi served as a Director from August 2004 to May 2013, and was appointed as a Director on 30 June 2016.

Mr. Chow Bing Chuen, 52, is an independent non-executive Director. Mr, Chow is currently serving as the director of Okeanos 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, 43, 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, 67, 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, 44, 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 in Electronics Engineering in 1998 and graduated from University of International Business and Economics with a master's degree in 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 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, 55, 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, 39, is the manager of the Human Resources Department of the Company. Ms. Zhang graduated in 2005 from the Department of Sociology of Peking University with a master's degree 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. Li Xiaobong, is the president of the Company. For details of the biographical information of Mr. Li, please refer to the profile of executive Director.

Mr. Du Min, 51, 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 attended a master program 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. Yang Wenjian, is 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. 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.

The Board is pleased to present the annual report and the audited consolidated financial statements for the year ended 31 December 2018.

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 HKD3.93 and HKD1.48 respectively for the year ended 31 December 2018. On 31 December 2018 (the last trading day in 2018), the transaction volume was 0 share and the closing price was HKD1.48 per share.

ACCOUNTS

Financial position of the Group as at 31 December 2018 are set out on pages 69 to 70 of the consolidated balance sheet.

Results of the Group for the year ended 31 December 2018 are set out on pages 71 to 72 of the consolidated income statement.

Cash flows of the Group for the year ended 31 December 2018 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 2018 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 2018.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2018, the total purchase by the Group from its five largest suppliers was RMB131,404 thousand (2017: RMB141,495 thousand), accounting for 40.35% of its total purchase for the year of 2018 (2017: 37.36%); and the purchase from the largest supplier was RMB41,227 thousand (2017: RMB50,821 thousand), accounting for 12.66% of its total purchase for the year of 2018 (2017: 13.42%).

During the Reporting Period, the total sales by the Group to its five largest customers was RMB108,912 thousand (2017: RMB105,654 thousand), accounting for 31.60% of its total sales for the year of 2018 (2017: 24.76%); and the amount of sales to the largest customer was RMB42,208 thousand (2017: RMB32,626 thousand), accounting for 12.25% of its total sales for the year of 2018 (2017: 7.65%).

During the Reporting Period, the amount of purchase by the Group from BYDA, the controlling shareholder of the Group, was RMB11,489 thousand. Besides, as far as the Directors are aware, none of the Directors, their associates nor Shareholders holding more than 5% of the Company's total issued shares has any interest in the Group's five largest suppliers or customers.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

As at 31 December 2018, 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 CHONGQING YOUTH (AMERICA) LLC.

As at 31 December 2018, 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, joint ventures 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 during the Reporting Period is set out in the consolidated statement of changes in Shareholders' equity on page 75 of this annual report.

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

FIXED ASSETS

The changes in investment properties and fixed assets during the Reporting Period are set out in note VIII.10 and VIII.11 to the financial statements in this annual report, respectively.

SHARE CAPITAL, SHARE CAPITAL STRUCTURE AND NUMBER OF SHAREHOLDERS

As at 31 December 2018, the total number of shares issued by the Company was 197,310,000 shares. The Shareholders of the Company include BYDA, Beijing Chengshang Cultural Communication 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%	317
Total	197,310,000	100%	322

* The above mentioned percentage figures are based on the records in the Company's register of members as at 31 December 2018.

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 2018, 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 Chengshang Cultural Communication Co., Ltd. Note 1	Beneficial owner	Domestic shares	N/A	7,367,000	5.17	3.73
Leshi Internet Information & Technology Corp., Beijing Note 2	Beneficial owner	H shares	Long position	19,533,000	35.58	9.90
Jia Yueting Note 2	Interest of controlled corporation	H shares	Long position	19,533,000	35.58	9.90
Founder Investment (HK) Ltd. Note 3 & Note 4	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 3	Interest of controlled corporation	H shares	Long position	4,939,000	8.99	2.50
Beijing University New Technology Corporation Note 3	Interest of controlled corporation	H shares	Long position	4,939,000	8.99	2.50
Beijing University Note 3	Interest of controlled corporation	H shares	Long position	4,939,000	8.99	2.50
CITI CITI Ltd. Note 4	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 5	Interest of controlled corporation	H shares	Long position	4,939,000	8.99	2.50
Cao Yawen Note 5	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)*

Notes:

1. Beijing Chengshang Cultural Communication Co., Ltd. owns 7,367,000 domestic shares of the Company, approximately amounting to 3.73% of the total issued share capital (5.17% of the total issued domestic shares) of the Company. Beijing Chengshang Cultural Communication Co., Ltd. is 100% directly owned by Beijing Shouhua Asset Management Co., Ltd., which is 50% directly owned by Beijing Bailixing Investment Consulting Co., Ltd. and Puxu (Beijing) Investment Co., Ltd. respectively, among which Puxu (Beijing) Investment Co., Ltd. is 50% directly owned by Sun Shengguang and Sun Yuexian respectively, and Beijing Bailixing Investment Consulting Co., Ltd. is 50% directly owned by Quzhou Hairuiteng Information Consulting Co., Ltd. and Quzhou Zhuoqun Innovation and Cultural Co., Ltd. respectively, among which, Quzhou Hairuiteng Information Consulting Co., Ltd. is 50% directly owned by He Kangmin and Zhang Yang, and Quzhou Zhuoqun Innovation and Cultural Co., Ltd. is 50% directly owned by Zhang Yang and Zhang Yiping. Therefore Zhang Yang, Zhang Yiping, He Kangmin, Quzhou Hairuiteng Information Consulting Co., Ltd., Quzhou Zhuoqun Innovation and Cultural Co., Ltd., Sun Shengguang, Sun Yue, Beijing Bailixing Investment Consulting Co., Ltd. and Puxu (Beijing) Investment Co., Ltd. are deemed under the SFO to have an interest in the 7,367,000 domestic shares registered in the name of Beijing Chengshang Cultural Communication Co., Ltd.

2. Leshi Internet Information & Technology Corp., Beijing owns 19,533,000 H shares of the Company, representing approximately 9.9% of the total issued share capital (35.58% of the total issued H shares) of the Company. Jia Yueting owns 44% equity interest in Leshi Internet Information & Technology Corp., Beijing. Therefore Jia Yueting is deemed under the SFO to have an interest in the 19,533,000 H shares registered in the name of Leshi Internet Information & Technology Corp., Beijing.

3. Founder Investment (HK) Ltd. owns 4,939,000 H shares of the Company, representing approximately 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 80% equity interest in Beijing Beida Founder Group, which in turn owns 51% equity interest in 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 have an interest in the 4,939,000 H shares registered in the name of Founder Investment (HK) Ltd.

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

5. Yue Shan International Limited, as a trust beneficiary, owns 4,939,000 H shares of the Company, representing approximately 2.5% of the total issued share capital (8.99% of the total issued H shares) of the Company. Cao Yawen directly owns 100% equity interest in Yue Shan International Limited and is therefore deemed under the SFO to have an interest 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 2018, there was no other person with interests and/or short positions in shares or underlying shares of the Company which should be recorded under section 336 of the SFO.

ULTIMATE CONTROLLING SHAREHOLDER

BYDA is the ultimate controlling shareholder of the Company. As at 31 December 2018, BYDA owned 63.27% equity interest in the Company.

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 2018 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 impact 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 2018.

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.42 to the financial statements.

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

Mr. Zhao Meng, a supervisor of the Company, voluntarily waived to receive remuneration from the Company on 5 September 2018. Save as disclosed above, during the Reporting Period, there was no arrangement whereby any other 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 2018, 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 Reporting Period, 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 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 due to adjustment of work arrangement. Upon the approval at the 15th meeting of the 6th session of the Board convened on the same day, 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.

On 29 March 2018, Ms. He Xiaona resigned from the positions as executive vice president and executive Director of the Company as she reached the retirement age. At the 16th meeting of the 6th session of the Board convened on the same day, Mr. Peng Liang was appointed as an authorised representative of the Company to replace Mr. Yu Haibo. Please refer to the announcement of the Company dated 29 March 2018 for details.

On 11 June 2018, Mr. Xu Xun resigned from the position as non-executive Director of the 6th session of the Board. Please refer to the announcement of the Company dated 11 June 2018 for details.

On 28 June 2018, Mr. Zhang Yanping resigned from the positions as chairman of the Board, chairman of the Nomination Committee, executive Director and authorised representative of the Company due to his reaching of the retirement age. Upon approval at the annual general meeting of the Company convened on the same day, Mr. Li Xiaobing was appointed as an executive Director of the 6th session of the Board and an authorised representative of the Company to replace Mr. Peng Liang; Ms. Li Xin was appointed as an executive Director of the 6th session of the Board; Mr. Sun Fang was appointed as a non-executive Director of the 6th session of the Board and Mr. Ji Chuanpai was appointed as an executive Director of the 6th session of the Board. At the 19th meeting of the 6th session of the Board convened on the same day, Mr. Ji Chuanpai was appointed as the chairman of the Board, chairman of the Nomination Committee and authorised representative of the Company. Please refer to the announcement of the Company dated 28 June 2018 for details.

On 17 August 2018, Mr. Peng Liang resigned from the concurrent position as an executive vice president of the Company due to work adjustment. Please refer to the announcement of the Company dated 17 August 2018 for details.

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

On 12 December 2018, Mr. Chow Bing Chuen conveyed to the Board his request to resign from the positions as an independent non-executive Director and a member of the Audit Committee of the Company due to physical conditions. The above resignation takes effect upon the approval of the appointment of the new independent non-executive Director by the Shareholders at a general meeting of the Company and the approval of the appointment of the new member of the Audit Committee by the Board, respectively. On the same day, Ms. Shi Hongying was nominated as an independent non-executive Director of the Company with effect from the date of approval by the Shareholders at a general meeting of the Company. Please refer to the announcement of the Company dated 12 December 2018 for details.

On 19 December 2018, Ms. Li Xin resigned from the positions as an executive Director and chief financial officer of the Company and all her other positions in the Group for family reasons. Please refer to the announcement of the Company dated 19 December 2018 for details.

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 Reporting Period, 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 2018 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 2018, the bank borrowings of the Group was RMB6,927 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 to waive the option and/or pre-emptive right.

CONNECTED TRANSACTIONS *(Continued)*

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

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.

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 by 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.

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 RMB4,877,175. 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 RMB1,729,938.

As the term of the above-mentioned mutual property tenancy agreement and that of the annual cap of the continuing connected transaction contemplated thereunder have expired on 31 December 2018, the Company and BYDA renewed the mutual property tenancy agreement on 12 November 2018 for a term of three years with effect from 1 January 2019 to 31 December 2021. Under the renewed mutual property tenancy agreement, the annual caps in respect of the rental payable by the Parent to the Company for each of the three years ending 31 December 2021 are all RMB6,812,268.75; the annual caps in respect of the rental payable by the Company to the Parent for each of the three years ending 31 December 2021 are all RMB6,000,000. For details of the transactions, please refer to the announcement of the Company dated 12 November 2018 published on the websites of Hong Kong Stock Exchange and the Company.

CONNECTED TRANSACTIONS *(Continued)*

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

3. Distribution Services Framework Agreement

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

The Parent is the controlling Shareholder of the Company, and therefore the Parent Group is 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 RMB3,000,000, and the actual amount paid was RMB245,448.

The distribution services framework agreement entered into between the Company and the Parent and the annual caps of the continuing connected transaction contemplated thereunder have expired on 31 December 2018, and the Company and the Parent have decided not to renew the agreement.

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; and (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 discount 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 is fair and reasonable, and on normal commercial terms. The consideration under the advertising agency framework agreement are payable by cash in a lump sum or by installments 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 the 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 fee payable by the Parent Group to the Group was RMB50,000,000 and the actual amount paid was RMB4,835,296. The annual cap of advertising fee payable by the Group to the Parent Group was RMB50,000,000 and the actual amount paid was RMB3,180,355.

Due to the fact that the term of the above-mentioned advertising agency framework agreement and the annual cap of the continuing connected transaction contemplated thereunder have expired on 31 December 2018, the Company and BYDA entered into the advertising agency framework agreement on 12 November 2018 to renew for a term of three years with effect from 1 January 2019 to 31 December 2021. Under the renewed advertising agency framework agreement, the annual caps in respect of the advertising fee payable by the Parent Group to the Group for each of the three years ending 31 December 2021 are all RMB5,000,000; the annual caps in respect of the advertising fee payable by the Group to the Parent Group for each of the three years ending 31 December 2021 are all RMB5,000,000. On 27 February 2019, the Company revised the annual caps in respect of the advertising fee payable by the Group to the Parent Group for each of the three years ending 31 December 2021 from RMB5,000,000 to RMB16,000,000, and the annual caps in respect of the advertising fee payable by the Parent Group to the Group for each of the three years ending 31 December 2021 remain unchanged. For details of the transactions, please refer to the announcements of the Company dated 12 November 2018 and 27 February 2019 published on the websites of Hong Kong Stock Exchange and the Company.

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 renewed upon expiry, subject to compliance with the requirements of the Listing Rules. The rights granted include the right to sell all of the advertising space in Beijing Youth Daily, and the Company is entitled to all revenue from such sales. In consideration, the Company will: (a) be responsible for the printing, including printing costs and the choice of newsprint of Beijing Youth Daily; (b) pay the Parent a fee representing 16.5% of the total advertising revenue generated from Beijing Youth Daily or such figure or formula as agreed by parties in the future; and (c) allocate to the Parent up to 360 pages per year of advertising space in Beijing Youth Daily for publicity announcements and notices per year (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 RMB6,855,753.

On 12 November 2018, the Company renewed the transaction annual caps for the three years ending 31 December 2021. The renewed annual caps for the continuing connected transactions contemplated under the advertising business agreement for each of the three years ending 31 December 2021 are all RMB13,500,000. For detailed information, please refer to the announcement of the Company dated 12 November 2018 published on the websites of Hong Kong Stock Exchange and the Company.

CONNECTED TRANSACTIONS *(Continued)*

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

6. Printing Framework Agreement

On 22 October 2015, BYD Logistics and the Parent renewed the printing framework agreement with a term from 1 January 2016 to 31 December 2018. Upon expiry, the printing framework agreement will, subject to 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 service 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 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 ranges 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 RMB9,907,535.

Due to the fact that the term of the above-mentioned printing framework agreement and annual cap of the continuing connected transaction contemplated thereunder have expired on 31 December 2018, BYD Logistics and BYDA entered into the printing framework agreement on 12 November 2018 to renew for a term of three years with effect from 1 January 2019 to 31 December 2021. The annual caps for each of the three years ending 31 December 2021 of the continuing connected transaction under the renewed printing framework agreement are all RMB13,000,000. For details of the transaction, please refer to the announcement of the Company dated 12 November 2018 published on the websites of Hong Kong Stock Exchange and the Company.

CONNECTED TRANSACTIONS *(Continued)*

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 2018 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 from item 2 to item 6 in the above continuing connected transactions, and confirmed that these transactions were: (A) entered into during the usual and ordinary course of business of the Group; (B) based on normal commercial terms or better terms; and (C) based on agreements regulating relevant transactions, on fair and reasonable terms, in the interests of the Company and the Shareholders as a whole and have not exceeded any cap for the aforesaid transactions.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with No. 3101 of the Chinese Institute of Certified Public Accountants Other Verifying Business Standards – Verifying Businesses Other Than the Audit or Review of Historical Financial Information issued by the 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.

The Company reviewed the previous related party transaction and continuing related party transaction as included in note XII to the financial statements in preparation of this report, and found that several related party transaction should constitute disclosable connected transaction but have not complied with disclosure requirements in Chapter 14A of the Listing Rules. The Company has been actively initiating the relevant ratification process, including but not limited to reviewing and investigating the relevant previous transactions, drafting ratification agreements, appointing professional internal control consultant to review the internal control and risk management system seeking advice for optimization and improvement and other remedies. The Company will publish the announcement in respect of the details of the ratification in the due course. Please refer to the announcement of the Company dated 22 April 2019 for the details of the ratification.

MATERIAL LITIGATION

To the knowledge of the Board, as at 31 December 2018, the Company was not involved in any material litigation or arbitration and there was no pending legal action or claim or potential legal action or claim that poses threat to 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 retirement. 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 2018 (2017: 19%), which is subject to certain cap as required 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 2018, the Group had a total of 343 staff members (31 December 2017: 412). The decrease in the number of the staff as compared with 2017 was mainly due to the reasonable decrease of the normal business needs of the Company and its subsidiaries. During the Reporting Period, the Group's employee remuneration amounted to approximately RMB55,737 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 2018, 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 the remuneration policy and making proposal regarding the remunerations of the Directors and senior management of the Company to the Board. The remunerations of the Directors of the Company are determined by the Remuneration Committee as authorized by the general meeting of the Company. The remuneration of Supervisors of the Company shall be approved by the general meeting of the Company. The remuneration of the Company is determined and realized according to the duties of the Directors, Supervisors and senior management and the Company's operating performance.

Position-based salary system was adopted for general management staff. Salary was determined according to the relative importance of the positions, the responsibilities assumed in the positions and other factors. Various salary models such as performance linked and piece rate wage model were adopted respectively for other employees based on the types of employees 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 paid 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 28 June 2018 that WUYIGE Certified Public Accountants LLP was re-appointed as the auditor of the Company for the year 2018, 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 auditor's remuneration.

The consolidated financial statements of the Company for the year of 2018 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, Implementing Regulations of the Law on Corporate Income Tax of the PRC 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
Ji Chuanpai
Chairman of the Board

29 March 2019
Beijing, the PRC

1. OVERVIEW OF CORPORATE GOVERNANCE

The Company always attaches 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;
- Procedures of Internal Fraud Management; and
- Procedures of Investors Relationship Management.

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

During the Reporting Period, 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.

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 during the Reporting Period.

4. THE BOARD

The list below shows the composition of the Board and relevant information as at 31 December 2018:

Name	Gender	Age	Other positions in the Company	Term of directorship	Whether to receive remuneration from the Company
Executive Directors					
Ji Chuanpai [Note 1]	M	49	Chairman	From 28 June 2018 to the 2018 annual general meeting of the Company	No
Li Xiaobing [Note 1]	M	48	President	From 28 June 2018 to the 2018 annual general meeting of the Company	No
Yang Wenjian	F	48	Executive vice president	From 30 June 2017 to the 2018 annual general meeting of the Company	No
Peng Liang	M	46		From 30 June 2016 to the 2018 annual general meeting of the Company	No
Shang Da	M	57	Vice president	From 30 June 2016 to the 2018 annual general meeting of the Company	Yes
Non-executive Directors					
Zang Furong	F	58		From 30 June 2017 to the 2018 annual general meeting of the Company	No
Wu Bin	M	50		From 30 June 2017 to the 2018 annual general meeting of the Company	No
Liu Hong	M	45		From 30 June 2016 to the 2018 annual general meeting of the Company	Yes
Sun Fang [Note 1]	M	45		From 28 June 2018 to the 2018 annual general meeting of the Company	Yes
Independent Non-executive Directors					
Wu Tak Lung	M	53		From 30 June 2016 to the 2018 annual general meeting of the Company	Yes
Cui Enqing	M	75		From 30 June 2016 to 2018 annual general meeting of the Company	Yes
Chen Ji	M	67		From 30 June 2016 to the 2018 annual general meeting of the Company	Yes
Wu Changqi	M	64		From 30 June 2016 to the 2018 annual general meeting of the Company	Yes
Chow Bing Chuen [Note 2]	M	52		From 30 June 2016 to the 2018 annual general meeting of the Company	Yes

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

4. THE BOARD *(Continued)*

Notes:

1. Upon the approval at the annual general meeting of the Company convened on 28 June 2018, Mr. Ji Chuanpai was appointed as an executive Director of the 6th session of the Board, Mr. Li Xiaobing was appointed as an executive Director of the 6th session of the Board and Mr. Sun Fang was appointed as a non-executive Director of the 6th session of the Board. Please refer to the announcement of the Company dated 28 June 2018 for details.

2. Due to physical conditions, Mr. Chow Bing Chuen conveyed to the Board his request to resign from the positions as an independent non-executive Director and a member of the Audit Committee on 12 December 2018. The above resignation takes effect upon the approval of the appointment of the new independent non-executive Director by the Shareholders at a general meeting of the Company and the approval of the appointment of the new member of the Audit Committee by the Board, respectively. Please refer to the announcement of the Company dated 12 December 2018 for details.

The Company confirms that the Board is primarily responsible for making decisions in the following aspects:

- 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 on profit distribution and recovery of losses of the Company;
- formulation of proposals on increasing or reducing registered capital and issuance of corporate bonds of the Company;
- formulation of proposals on the mergers, spin-off or winding-up of the Company;
- determination on the internal management structure of the Company;
- appointment and removal of the president and executive vice president of the Company, appointment and removal of the vice president and other senior management members (including the chief financial officer) as nominated by the president, and determination of their respective remuneration;
- setting up the basic management systems of the Company;
- formulation of proposals for amendments to Articles of Association;
- formulation of proposals for material acquisitions or disposals of the Company.

The Company confirms that the management is primarily responsible for making decisions and performing daily management in the following aspects:

- 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.

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

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

A total of eight Board meetings were convened during the Reporting Period, and the attendance rate of individual Directors at Board meetings is as follows:

	Attendance in person *(times)*	**Attendance by proxy** *(times)*
Executive Directors		
Ji Chuanpai *Note 1*	4	–
Zhang Yanping *Note 2*	4	–
Yu Haibo *Note 3*	–	–
Li Xiaobing *Note 4*	4	–
He Xiaona *Note 5*	2	–
Yang Wenjian	7	1
Peng Liang	8	–
Shang Da	8	–
Li Xin *Note 6*	4	–
Non-executive Directors		
Zang Furong	6	2
Wu Bin	8	–
Xu Xun *Note 7*	3	–
Liu Hong	5	3
Sun Fang *Note 8*	4	–
Independent Non-executive Directors		
Wu Tak Lung	7	1
Cui Enqing	6	2
Chen Ji	8	–
Wu Changqi	8	–
Chow Bing Chuen	5	3

4. THE BOARD *(Continued)*

Notes:

1. Upon the approval at the annual general meeting of the Company convened on 28 June 2018, Mr. Ji Chuanpai was appointed as the executive Director of the 6th session of the Board. Mr. Ji has attended four Board meetings of the Company convened during his tenure of service during the Reporting Period.

2. On 28 June 2018, Mr. Zhang Yanping resigned from the positions as chairman of the Board, chairman of the Nomination Committee, executive Director and authorised representative of the Company due to his reaching the retirement age. Mr. Zhang has attended four Board meetings of the Company convened during his tenure of service during the Reporting Period.

3. On 17 January 2018, Mr. Yu Haibo resigned from the positions as the Company's president, vice chairman of the Board and executive Director due to adjustment of work arrangement. No Board meeting of the Company was convened during his tenure of service during the Reporting Period.

4. Upon the approval at the annual general meeting of the Company convened on 28 June 2018, Mr. Li Xiaobing was appointed as the executive Director of the 6th session of the Board. Mr. Li has attended four Board meetings of the Company convened during his tenure of service during the Reporting Period.

5. On 29 March 2018, Ms. He Xiaona resigned from the positions as executive vice president and executive Director of the Company due to her reaching of the retirement age. Ms. He has attended two Board meetings of the Company convened during her tenure of service during the Reporting Period.

6. Upon the approval at the annual general meeting of the Company convened on 28 June 2018, Ms. Li Xin was appointed as the executive Director of the 6th session of the Board. On 19 December 2018, Ms. Li Xin resigned from the positions as an executive Director and chief financial officer of the Company and all her other positions in the Group due to family reason. Ms. Li has attended four Board meetings of the Company convened during her tenure of service during the Reporting Period.

7. On 11 June 2018, Mr. Xu Xun resigned from the position as non-executive Director of the 6th session of the Board. Mr. Xu has attended three Board meetings of the Company convened during his tenure of service during the Reporting Period.

8. Upon the approval at the annual general meeting of the Company convened on 28 June 2018, Mr. Sun Fang was appointed as the non-executive Director of the 6th session of the Board. Mr. Sun has attended four Board meetings of the Company convened during his tenure of service during the Reporting Period.

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.

During the Reporting Period, in order to ensure that they contribute to the Board with comprehensive information under appropriate situation, 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.

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 Reporting Period, and the attendance rate of individual Directors at the general meeting is as follow:

	Attendance in person *(times)*	**Attendance by proxy** *(times)*
Executive Directors		
Ji Chuanpai *Note 1*	–	–
Zhang Yanping	–	–
Yu Haibo *Note 2*	–	–
Li Xiaobing *Note 3*	–	–
He Xiaona *Note 4*	–	–
Yang Wenjian	–	1
Peng Liang	1	–
Shang Da	1	–
Li Xin *Note 5*	–	–
Non-executive Directors		
Zang Furong	–	1
Wu Bin	1	–
Xu Xun *Note 6*	–	–
Liu Hong	–	1
Sun Fang *Note 7*	–	–
Independent Non-executive Directors		
Wu Tak Lung	–	1
Cui Enqing	–	1
Chen Ji	1	–
Wu Changqi	1	–
Chow Bing Chuen	–	1

Notes:

1. Mr. Ji Chuanpai was appointed as an executive Director of the 6th session of the Board at the 2017 annual general meeting of the Company on 28 June 2018. No general meeting of the Company was convened during his tenure of office during the Reporting Period.

2. On 17 January 2018, Mr. Yu Haibo resigned from the positions as the Company's president, vice chairman of the Board and executive Director due to adjustment of work arrangement. No general meeting of the Company was convened during his tenure of office during the Reporting Period.

4. THE BOARD *(Continued)*

Notes: (Continued)

3. Mr. Li Xiaobing was appointed as an executive Director of the 6th session of the Board at the 2017 annual general meeting of the Company on 28 June 2018. No general meeting of the Company was convened during his tenure of office during the Reporting Period.

4. On 29 March 2018, Ms. He Xiaona resigned from the positions as executive vice president and executive Director of the Company due to her reaching the retirement age. No general meeting of the Company was convened during her tenure of office during the Reporting Period.

5. Upon the approval at the annual general meeting of the Company convened on 28 June 2018, Ms. Li Xin was appointed as the executive Director of the 6th session of the Board. On 19 December 2018, Ms. Li Xin resigned from the positions as an executive Director and chief financial officer of the Company and all her other positions in the Group due to family reason. No general meeting of the Company was convened during her tenure of office during the Reporting Period.

6. On 11 June 2018, Mr. Xu Xun resigned from the position as non-executive Director of the 6th session of the Board. No general meeting of the Company was convened during his tenure of office during the Reporting Period.

7. Mr. Sun Fang was appointed as the non-executive Director of the 6th session of the Board at the 2017 annual general meeting of the Company on 28 June 2018. No general meeting of the Company was convened during his tenure of office during the Reporting Period.

5. CHAIRMAN AND PRESIDENT

During the Reporting Period, the roles of chairman and president at the Company were performed by different individuals. As at 31 December 2018, Mr. Ji Chuanpai and Mr. Li Xiaobing took the positions of chairman and president of the Company 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.

On 28 June 2018, Mr. Zhang Yanping resigned from the positions as chairman of the Board, chairman of the Nomination Committee, executive Director and authorised representative of the Company due to his reaching the retirement age. Upon approval at the annual general meeting of the Company convened on the same day, Mr. Li Xiaobing was appointed as an executive Director of the 6th session of the Board (and he was appointed as an authorised representative of the Company to replace Mr. Peng Liang on the same day) and Mr. Ji Chuanpai was appointed as an executive Director of the 6th session of the Board. At the 19th meeting of the 6th session of the Board convened on the same day, Mr. Ji was appointed as chairman of the Board, chairman of the Nomination Committee and authorised representative of the Company. Please refer to the announcement of the Company dated 28 June 2018 for details.

The two posts of the chairman and president 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 seeks assistance and/or advice from external professional advisors when considered necessary.

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

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

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

7. REMUNERATION COMMITTEE *(Continued)*

Two meetings of the Remuneration Committee were convened during the Reporting Period, 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 5 February 2018, considered and approved the resolution on annual bonus for executive Directors and senior management of the Company.

The Remuneration Committee held a meeting on 12 July 2018, considered and approved the resolution on determining the annual salary of Ms. Li Xin of RMB356,000 (before tax) for acting as executive Director and the resolution on determining the annual salary of Mr. Sun Fang of RMB60,000 (before tax) for acting as non-executive Director.

8. NOMINATION COMMITTEE

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

The principal duties of the Nomination Committee include but are 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)*

Four meetings of the Nomination Committee were convened during the Reporting Period, 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)*
Ji Chuanpai *Note 1*	1	–
Zhang Yanping *Note 2*	3	–
Chen Ji	4	–
Wu Changqi	4	–

Notes:

1. Upon approval by the Board on 28 June 2018, Mr. Ji Chuanpai was appointed as chairman of the Board, chairman of the Nomination Committee and authorised representative of the Company. Mr. Ji has attended one meeting of the Nomination Committee convened during his tenure of service during the Reporting Period.

2. On 28 June 2018, Mr. Zhang Yanping resigned from the positions as chairman of the Board, chairman of the Nomination Committee, executive Director and authorised representative of the Company due to his reaching of the retirement age. Mr. Zhang has attended three meetings of the Nomination Committee convened during his tenure of service during the Reporting Period.

The Nomination Committee held a meeting on 15 January 2018, considered and approved the resolution on the nomination of Mr. Li Xiaobing as candidate for the president of the Company and the nomination of Mr. Li Xiaobing as candidate for executive Director.

The Nomination Committee held a meeting on 27 March 2018, considered and approved the resolution on the nomination of Ms. Li Xin as candidate for executive Director.

The Nomination Committee held a meeting on 11 June 2018, considered and approved the resolution on the nomination of Mr. Ji Chuanpai as candidate for executive Director and the nomination of Mr. Sun Fang as candidate for non-executive Director.

The Nomination Committee held a meeting on 10 December 2018, considered and approved the resolution on the nomination of Ms. Shi Hongying as candidate for independent non-executive Director.

9. REMUNERATION OF THE AUDITOR

The Company appointed WUYIGE Certified Public Accountants LLP as the auditor for the year 2018. For the year ended 31 December 2018, 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 to the Company since 2017.

10. AUDIT COMMITTEE

The Board has set up an Audit Committee comprising three independent 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 during the Reporting Period, 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 2017;
- reviewed and considered the results of the Group for the first half of 2018;
- 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.

Two meetings of the Audit Committee were convened during the Reporting Period, 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	2	–
Wu Changqi	2	–
Chow Bing Chuen	–	2

The Audit Committee of the Company held a meeting on 27 March 2018, considered and approved the resolution to pay audit fees for the year 2017 (RMB1.78 million for annual audit and RMB20,000 for reporting on continuing connected transactions) to WUYIGE Certified Public Accountants LLP; and resolution in relation to the reappointment of WUYIGE Certified Public Accountants LLP as auditor for Beijing Media for the year 2018.

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 2018.

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 2018, 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 WUYIGE Certified Public Accountants LLP, 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 for not less than 15 hours during the Reporting Period respectively.

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 safeguarding the value of shares, maintaining the steady level and sustained growth of the investment return and enhancing the competitiveness of the business as priority.

Pursuant to the Articles of Association, an extraordinary general meeting shall be convened within two months upon request in writing by Shareholders holding individually 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 28 June 2018, several amendments have been made to the Articles of Association, as to reflect the change in the business scope of the Company. Please refer to the announcements of the Company dated 29 March and 28 June 2018 and circular dated 27 April 2018 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 2018.

(2) General meetings

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

The 2017 annual general meeting was held at 2:30 p.m. on 28 June 2018 at 21st Floor, Beijing Youth Daily Agency Building, 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 2017, the report of the Supervisory Committee for the year ended 31 December 2017, the audited financial statements of the Company for the year ended 31 December 2017, the appointment of WUYIGE Certified Public Accountants LLP as the Company's auditor for the year 2018, the payment of remuneration to Ms. Zhang Bo, an employee representative supervisor of the Company, and the appointment of executive Directors and non-executive Directors were considered and approved. Please refer to the announcement of the Company dated 28 June 2018 for details.

13. INVESTOR RELATIONS *(Continued)*

(3) Important matters for Shareholders for the financial year of 2018

The 2018 annual general meeting of the Company will be held at 2:00 p.m. on 21 June 2019 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 2018 were HKD3.93 and HKD1.48 per share respectively. On 31 December 2018 (the last trading day in 2018), the transaction volume was 0 share and the closing price was HKD1.48 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. The risk management, internal structure was comparatively scientific and system design was proper. The Company 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 misstatements 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 took 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 assessing, refining major risk control measures, timely tracking the effectiveness of the risk control, and specifying 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 coordinate various requests of the departments. As such, any matter of a material nature discovered by the staff (e.g. discloseable matters) should 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 should 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 monitor affairs regarding review, and follow up such affairs 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 ensures the Board, Audit Committee and the administrative management of the Company 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 remedial measures taken by various departments.

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

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

  The Company has set up the procedures of identification, assessment and management of major risks. All functional departments and the risk management department of the Company shall execute the basic work flows of internal control and risk management of the Company, finish the routine tasks on time, and make and submit feedbacks about the information of routine risk-related works. The leaders of the risk management department shall be responsible for the examination and approval of the final appraisal results, carrying out classification of the risks that the Company will finally recognize, and classifying the major risks into business risk, financial risk, operational or other risks. Furthermore, for those major risks already identified, the Company shall make an assessment according to their respective probability of occurrence, seriousness of consequences, order 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 in 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 2018. Regarding the capital risk, the trend of the industry in 2018 adversely affected 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 was intense with little development potential, the Company has been faced with huge pressure. In 2018, 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 great emphasis on the treatment and announcement of inside information. Before disclosing the relevant information to the public, the Company ensured that the information is kept confidential absolutely, and made registration and filling of the people informed of such inside information. The Supervisory Committee monitored the management of inside information.

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

- Review of the effectiveness of risk management and internal control

  The Group has set up the internal audit function through which the Board regularly carries out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems. During the year ended 31 December 2018, the Board has made two reviews on the effectiveness of the risk management and internal control systems of the Group through the Audit Committee, and the review period covers the year ended 31 December 2017 and the six months ended 30 June 2018, respectively. In March 2019, the Board also made review on the effectiveness at the risk management and internal control systems of the Group for the year ended 31 December 2018 through the Audit Committee. The scope of the above reviews includes all material control, including financial, operational and compliance control. 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 relevant transactions that were not examined or approved as found by the Company recently reflect the deficiency in the effectiveness and adequacy of the risk management and internal control systems of the Group. The Board is of the view that the Group should further strengthen the resources, qualifications and experiences of the staff staff in the areas of finance, internal audit and the financial reporting function and ensure that the training and budget of the staff are adequate.

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 in 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 Shareholders Communication Policy 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 2017, 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 were based on merits, and candidates were 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 2018

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

2. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY IN 2018

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 of small and medium investors.

(1) Financial Position of the Company

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

(2) Operation of the Company

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

(3) Directors and Management of the Company

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

(4) 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.

2. **INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY IN 2018** *(Continued)*

   (5) **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 2019

The Group considers that sound environmental, social and governance performance is crucial in maintaining the Group's future sustainability in development, achieving long-term objectives and creating long-term value for Shareholders. Being an enterprise for cultural publicity, the Group takes serving the community as its mission and closely monitors its efforts of corporate social responsibility and sustainability in development. Environmental protection, community welfare and governance are not only the Group's response to the support and care from 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 Group 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. By 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 Hong Kong Listing Rules. The scope of this report covers the relevant situation of the Group and its subsidiaries during the period from 1 January 2018 to 31 December 2018.

EMISSIONS

The Group belongs to media advertising industry, which does not involve manufacturing and is thus a low-polluting industry. No hazardous wastes or non-hazardous wastes are emitted in its production and business management, and the Group requires all departments to study and strictly implement the Environmental Protection Law of the PRC, the Atmospheric Pollution Prevention and Control Law of the PRC, the Law of PRC on the Prevention and Control of the Environmental Pollution by Solid Waste, the Water Pollution Prevention and Control Law of the PRC, the Emission Standard of Volatile Organic Compounds for Printing Industry issued by Beijing, and other laws, regulations and industry regulations.

The Group pays increasing attention to global warming, and is committed to reducing greenhouse gas emissions and reducing the impact on climate change during operations. The Group understands that the use of vehicles for business and travelling purposes will increase energy consumption, thus resulting in the increase of emission volume. So we will hold meetings by way of telephone conference and email as much as possible to reduce the emission of greenhouse gases caused by long journeys.

During the Reporting Period, the emission of greenhouse gases was only due to the use of business vehicles by the Group.

The emission categories and emission volume are set out below:

Emission of oxynitride: 34.939 kg
Emission of oxysulfide: 0.08705 kg
Emission of particulate matter: 3.3499 kg
Emission of carbon dioxide: 15,521 tons

The Group always attaches great importance to waste management and implements the concept of green office. Our daily office documents are delivered by email and we advocate two-sided copies for printing requisite documents, with an aim to encourage recycling of paper and reduce the unnecessary utilization of resources and wastes arising from such utilization. We conduct telephone conferences whenever it is possible to reduce the emission of wastes arising from long journeys caused by meetings. Therefore, during the Reporting Period, the wastes of the Group arising from daily operation and business vehicles decreased as compared with last year.

USE OF RESOURCES

Saving energy and reducing consumption not only optimize the environment but also reduce the cost of the Group. Therefore, the Group has taken effective measures to reach effective utilization of resources to reduce wastage. The Group 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 Group's electricity consumption was approximately 604,681.25 kWh with a density of approximately 1,656.66 kWh per capita; The water consumption was approximately 6,271.22 tons with a density of approximately 17.18 tons per capita; The gasoline consumption was approximately 5,922 liters with a density of approximately 18.96 liters per capita.

During the course of operations, the Group 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 course of Group's operations. In order to build the awareness of water conservation, save water signs are placed in the pantries and lavatories to remind our employees not to waste water. The Group also advocates reuse of non-edible water, 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 Group's total water consumption in 2018 was reduced by 73% as compared with the previous year, and total electricity consumption was reduced by 66% as compared with the previous year.

As an enterprise for cultural publicity, there is no need for the Group to use packaging materials and no impact on the environment as a result.

ENVIRONMENT AND NATURAL RESOURCES

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

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

STAFF HEALTH AND TRAINING, WORKING ENVIRONMENT AND SAFETY

As at 31 December 2018, the Group had a total number of 343 employees (2017: 412). Classified by age and gender:

Age	Gender Male	Female	turnover rate (%)
30 years old and below	69	106	22.60
31-40 years old	38	30	25.00
41-50 years old	42	45	6.90
51 years old and above	12	1	30.77
Total	161	182	–

During the Reporting Period, the Group has strictly followed the requirements of the laws and regulations including the Labour Law of the PRC, the Employment Contract Law of the PRC, the Implementing Regulations of the Labor Contract Law of the People's Republic of China, the Prevention and Control of Occupational Diseases Law of the People's Republic of China and the Law of the PRC on the Protection of Minors, and it has formulated certain internal systems in accordance with the law to thoroughly protect the legal rights of staff, and jointly create a good labor-management relation.

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

In order to ensure human resources security for the sustainable development of the Group, we have formulated the Human Resources Management System which stipulates the systems of recruitment, promotion and staff training, etc. During the recruitment process, the overall qualities of applicants were the most important assessment elements for us, and all interviewees must undergo a series of strict selection process before being officially employed, including written tests regarding the related professional skill, comprehensive ability tests and interviews with the supervisors, etc. The Group would keep confidential all the interviewees' data strictly. The Group 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 Group strictly inspected the ages and identities of the applicants to ensure that the applicants have the legal working qualifications. During the Reporting Period, the Group did not find any use of child labour or forced labour.

Once an employee is hired, the remuneration that the Group paid to the employee will not be less than the minimum wage standard specified by the local government. The Group has been working hard to provide our staff with competitive wage levels compared with other people working in the same industry. The Group 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 Group has strictly followed the requirements of all local governments, and offered the corresponding holidays and overtime payment for holiday to the employees as required. The Group has strictly handled the revoking of the labour relationship in accordance with the provisions of the Labour Law. If employees plan to leave office, for the official employees, the Group allows them to process the resignation procedure by making resignation applications 30 days in advance; and for those under probation, the resignation applications will be needed 3 days in advance.

The Group 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 Group. So the human resources department of the Group developed the training programs to enhance the training results which increased the professional knowledge of the staff and enhanced their comprehensive abilities. Upon completion of the training, the employees who took part in the training programs were required to submit the training satisfaction questionnaire or training reports so that the relevant department could continue to improve the contents of the training.

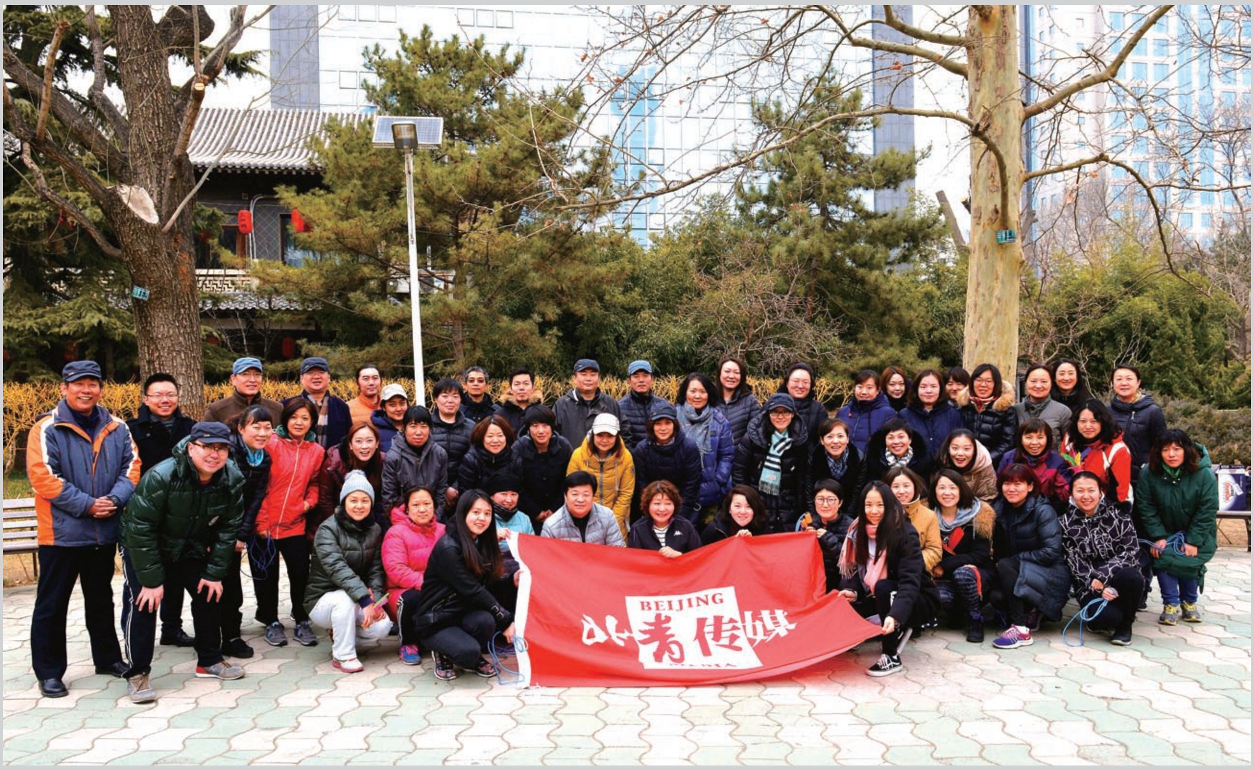
As for the health and safety of employees, the Group is committed to creating a safe and hygienic working environment for employees by regularly cleaning the working areas thoroughly. In addition, the Group arranges the employees to conduct comprehensive physical examination every year and reminds them of prevention of physical illness. At the same time, the Group 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 Group is committed to maintaining a diversified development of the working environment, giving female employees the same rights and equal opportunities as male employees in pay, promotion and other aspects.

The Group has strictly followed the relevant national or local labour laws and regulations, and provided employees with welfare. 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, group culture, employment arrangements, code of conduct, career prospect. The Group respects every employee, and has launched a variety of user-friendly arrangements and leisure activities for the staff to achieve a work-life balance for the staff. The Code of Conduct for Employees also clearly states 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, paid annual leave, paid sick leave, work-related injury leave, long-term sick leave, mourning leave, marriage leave, etc. In principle, the Group adopts a 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.

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

The working and rest time varies according to different regions and business requirements. The Group 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 Group 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 Group attaches great importance to the opinions of employees and the labor union and has built a formal monitoring and management channel to maximise the protection for the interest of employees. The Group cares for the employees and has established a system to care for those employees in distress and sickness. During the Reporting Period, the Group organised various cultural and sports activities to promote its corporate culture and enrich the cultural life of its employees.



SUPPLY CHAIN MANAGEMENT

Suppliers are the Group's 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 required. 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 Group 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, and ensured the quality of production services without producing, endorsing or disseminating false advertisement. In order to spread positive energy, and pursued a healthy and progressive cultural taste.

The Group has a professional team and possesses a complete work flow. 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; regarding different types of 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 Group 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 in 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 Group did not find any product which did not conform with the relevant health and safety regulations, and the 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, the Company Law of the PRC and the 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.

The Group has formulated a series of regulations and systems such as the confidentiality system, reward and punishment system, requirements of work behaviour as well as for the materials management since its establishment. The Group 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 Group 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 Group 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 under the Board
"Beiqing CéCi"	Beiqing CéCi Advertising (Beijing) Limited, a subsidiary of the Company
"Beiqing Community Media"	Beiqing Community Media Technology (Beijing) 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 of the Company
"BYD Logistics"	BYD Logistics Company Limited, a subsidiary of the Company
"China Accounting Standards"	The Accounting Standards for Business Enterprises in the PRC
"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 Shares 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
"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 for the purpose of this report
"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 2018
"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 [2019] No. [2-00586]

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 2018, 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 2018, 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 2018, as described in notes to the financial statement VIII.2, VIII.4, VIII.33, in the consolidated financial statement the ending balance of accounts receivable is RMB707,271 thousand, the amount of bad debt provision is RMB353,602 thousand, and the amount of credit impairment losses for this year is RMB190,233 thousand. The ending balance of accounts receivable and the amount of bad debt provision are material, and the Company implemented the New Financial Instruments Standards since 2018 and used the "expected credit loss" model to replace the "incurred loss" model under the original financial instruments standards, and provision for bad debts shall be made according to the amount of the expected credit loss during the whole duration of the accounts receivable. When using the simple and convenient method of expected credit loss model, the management shall properly group different segmented customer groups based on historical experience, and calculate the expected credit loss with reference to the condition of historical credit loss, which requires significant accounting estimation and judgment, for this reason we identified the bad debts provision amount of accounts receivable as a 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 rationality of grouping of accounts receivable, including the determination basis of accounts receivable groups, the judgement of provision for bad debts on an individual basis, etc.;

(3) Analyze the rationality of the use of the expected credit loss model, and review the calculation process of provision for bad debts based on the expected credit loss model and whether the bad debts provision of accounts receivable is sufficient;

(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 data about accounts receivable and bad debt provision of major customers;

(5) Verify the existence of account receivable by implementing the audit enquiry to the customers who have the large amount of account receivable;

(6) Check whether the disclosure of the New Financial Instruments Standards adopted in the financial report complies with the requirements of the Accounting Standards for Business Enterprises.

B. Impairment of goodwill

1. The Matter

As of 31 December 2018, as described in notes VIII.13 to the consolidated financial statements, in the consolidated financial statements the balance of goodwill is RMB47,377 thousand, and the provision for impairment of goodwill is RMB47,377 thousand, the net value is RMB0 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 RMB30,430 thousand in 2018 which has a significant impact on financial statement. Due to the complex of evaluation procedures of impairment test of goodwill, which needs a high degree of judgments, especially the identification of recoverable amounts, the assumptions applied in the evaluations include but not limited to the prediction of future revenue, cost and cash flow, discount rate,and also 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 management's identification of goodwill's asset group and the key assumptions and methods adopted to conduct impairment test for goodwill, including, but not limited to, the determination of recoverable amount and the reasonableness of the prediction of future revenue, cost and cash flow, discount rate;

(2) Assess whether the management is using an appropriate method for cash flow forecast with reference to the industry practice;

(3) Compare the information used in cash flow forecast with the historical information and approved budgets for the assessment of the reasonableness of the information used;

(4) Research the third party appraisal company and evaluate its independence, professional quality and competence;

(5) Discuss 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;

(6) Check whether the disclosure of goodwill and impairment of goodwill adopted in the financial report complies with the requirements of the Accounting Standards for Business Enterprises.

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 2018 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:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

(4) 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 Beijing Media to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the 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
March 29, 2019

As at 31 December 2018

RMB'000

Item	*Notes*	**As at 31 December 2018**	As at 1 January 2018	As at 31 December 2017
Current assets:				
Bank balances and cash	*VIII.1*	**199,925**	363,820	363,820
Notes receivable and accounts receivable	*VIII.2*	**261,967**	292,345	302,898
Prepayments	*VIII.3*	**18,528**	8,886	8,886
Other receivables	*VIII.4*	**99,649**	172,560	173,368
Inventories	*VIII.5*	**21,087**	36,288	36,288
Other current assets	*VIII.6*	**32,322**	42,296	42,296
Total current assets		**633,478**	916,195	927,556
Non-current assets:				
Financial assets available-for-sale		**–**	–	160,896
Long-term equity investment	*VIII.7*	**22,140**	34,596	34,596
Other equity instruments investment	*VIII.8*	**218,427**	218,475	–
Other non-current financial assets	*VIII.9*	**52,028**	53,746	–
Investment properties	*VIII.10*	**150,161**	156,909	156,909
Fixed assets	*VIII.11*	**3,828**	5,859	5,859
Construction in progress		**1,953**	–	–
Intangible assets	*VIII.12*	**30,807**	32,280	32,280
Goodwill	*VIII.13*	**–**	30,430	30,430
Long-term prepaid expenses		**685**	141	141
Deferred income tax assets	*VIII.14*	**16,789**	18,197	17,727
Other non-current assets	*VIII.15*	**28,990**	28,990	28,990
Total non-current assets		**525,808**	579,623	467,828
Total assets		**1,159,286**	1,495,818	1,395,384

As at 31 December 2018

RMB'000

Item	Notes	As at 31 December 2018	As at 1 January 2018	As at 31 December 2017
Current liabilities:				
Notes payable and account payable	VIII.17	**23,890**	62,079	62,079
Receipts advance		**–**	–	30,067
Contractual liabilities	VIII.18	**47,617**	31,143	–
Employee benefit payables	VIII.19	**7,726**	8,060	8,060
Tax payables	VIII.20	**2,233**	5,049	5,049
Other payables	VIII.21	**51,065**	50,129	50,129
Other current liabilities		**–**	–	1,076
Total current liabilities		**132,531**	156,460	156,460
Non-current liabilities:				
Long-term loan	VIII.22	**6,927**	30,000	30,000
Deferred income tax liabilities	VIII.14	**9,236**	11,006	8,350
Total non-current liabilities		**16,163**	41,006	38,350
Total liabilities		**148,694**	197,466	194,810
Shareholders' equity:				
Share capital	VIII.23	**197,310**	197,310	197,310
Capital reserves	VIII.24	**934,421**	934,421	934,421
Other comprehensive income	VIII.25	**105,434**	101,827	(1)
Surplus reserves	VIII.26	**130,931**	130,931	130,931
Undistributed profits	VIII.27	**(401,551)**	(125,074)	(121,797)
Total equity attributable to shareholders of the Company		**966,545**	1,239,415	1,140,864
Non-controlling interest	VIII.28	**44,047**	58,937	59,710
Total shareholders' equity		**1,010,592**	1,298,352	1,200,574
Total liabilities and shareholders' equity		**1,159,286**	1,495,818	1,395,384
Net current assets		**500,947**	759,735	771,096
Total assets less current liabilites		**1,026,755**	1,339,358	1,238,924

For the year ended 31 December 2018

RMB'000

Item	Notes	For the year ended 31 December 2018	For the year ended 31 December 2017
Total operating income	*VIII.29*	**344,625**	426,708
Total operating costs		**621,318**	548,529
Operating cost	*VIII.29*	**325,681**	378,758
Tax and surcharges	*VIII.30*	**6,125**	6,685
Selling expenses		**22,325**	49,209
Administrative expenses		**46,145**	45,299
Financial expenses	*VIII.31*	**(1,308)**	(244)
Including: Interest expenses		**706**	1,073
Interest income		**2,093**	2,613
Impairment loss of assets	*VIII.32*	**32,117**	68,822
Credit impairment losses	*VIII.33*	**190,233**	–
Add: Other income	*VIII.34*	**1,590**	195
Investment income	*VIII.35*	**(10,224)**	(20,648)
Including: Gain from investments in associates		**(12,415)**	(2,181)
Profit/(loss) on the changes in fair value	*VIII.36*	**(3,282)**	46,291
Gain on disposal of asset	*VIII.37*	**47**	245
Operating profit		**(288,562)**	(95,738)
Add: non-operating income	*VIII.38*	**43**	96
Less: non-operating expenses	*VIII.39*	**2,119**	725
Total profit		**(290,638)**	(96,367)
Less: Income tax expenses	*VIII.40*	**1,575**	3,210
Net profit		**(292,213)**	(99,577)
Net profit attributable to:			
Net profit from continuing operations		**(292,213)**	(99,577)
Net profit from discontinued operations		**–**	–
Shareholders of the Company		**(277,310)**	(85,251)
Non-controlling shareholders		**(14,903)**	(14,326)

RMB'000

Item	*Notes*	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Other net comprehensive income after tax	*VIII.25*	**3,620**	(98)
Other net comprehensive income after tax attributable to shareholders of the Company	*VIII.46*	**3,607**	(72)
Including: Other comprehensive income unqualified for subsequent reclassification into profit or loss		**3,628**	–
Including: Change in fair value of other equity instruments investments		**3,628**	–
Including: Other comprehensive income subsequently reclassified into profit or loss		**(21)**	(72)
Including: Items attributable to investees under equity method subsequently reclassified to profit or loss		**(41)**	(31)
Exchange differences from retranslation of financial statements		**20**	(41)
Other net comprehensive income after tax attributable to non-controlling shareholders		**13**	(26)
Total comprehensive income		**(288,593)**	(99,675)
Total comprehensive income attributable to shareholders to the Company		**(273,703)**	(85,323)
Total comprehensive income attributable to non-controlling shareholders		**(14,890)**	(14,352)
Earnings per share:			
Basic earnings per share (RMB)	*XVII.2*	**(1.39)**	(0.43)
Diluted earnings per share (RMB)	*XVII.2*	**(1.39)**	(0.43)
Dividends	*VIII.44*	**–**	–

RMB'000

Item	*Note*	**For the year ended 31 December 2018**	For the year ended 31 December 2017
1. Cash flows from operating activities:			
Cash flows from operating activities		**316,552**	464,870
Other cash receipt related to operating activities		**325,247**	16,336
Sub-total of cash inflows from operating activities		**641,799**	481,206
Cash paid for goods purchased and services received		**292,420**	350,404
Cash paid to and on behalf of employees		**55,737**	71,065
Payments of taxes and surcharges		**13,504**	14,619
Other cash payments relating to operating activities		**360,177**	61,869
Sub-total of cash outflows from operating activities		**721,838**	497,957
Net cash used in operating activities	*VIII.47*	**(80,039)**	(16,751)
2. Cash flows from investment activities:			
Cash received from sales of investments		**5,280**	100,530
Cash received from returns on investments		**5,130**	3,756
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**358**	448
Other cash receipt relating to investing activities		**106,885**	52,609
Sub-total of cash inflows from investing activities		**117,653**	157,343
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**1,267**	764
Other cash payments related to investing activities		**145,000**	10,776
Sub-total of cash outflows from investing activities		**146,267**	11,540
Net cash from investing activities		**(28,614)**	145,803

RMB'000

Item	*Notes*	**For the year ended 31 December 2018**	For the year ended 31 December 2017
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
Sub-total of cash inflows from financial activities		**–**	71,439
Cash payments for borrowings repayment		**23,073**	5,500
Cash payments for distribution of dividends or profits or interest expense		**706**	1,098
Including: dividend or profits paid to non-controlling shareholders of subsidiaries		**–**	–
Other cash payment relating to financing activities		**6,686**	1,200
Sub-total of cash outflows from financial activities		**30,465**	7,798
Net cash from financial activities		**(30,465)**	63,641
4. Effect of exchange rate changes on cash and cash equivalents		**25**	(34)
5. Net increase in cash and cash equivalents	*VIII.48*	**(139,093)**	192,659
Add: balance of cash and cash equivalents at the beginning of the year		**325,612**	132,953
6. Balance of cash and cash equivalents at the end of the year	*VIII.49*	**186,519**	325,612

RMB'000

Item	For the year ended 31 December 2018							
	Attributable to shareholders of the Company							
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves (note)	Undistributed profits	Subtotal	Non-controlling interest	Total shareholders' equity
Balance as at 31 December 2017	**197,310**	**934,421**	**(1)**	**130,931**	**(121,797)**	**1,140,864**	**59,710**	**1,200,574**
Change in accounting policies	**–**	**–**	**101,828**	**–**	**(3,277)**	**98,551**	**(773)**	**97,778**
Balance as at 1 January 2018	**197,310**	**934,421**	**101,827**	**130,931**	**(125,074)**	**1,239,415**	**58,937**	**1,298,352**
Net profit	–	–	–	–	(277,310)	(277,310)	(14,903)	(292,213)
Other comprehensive income	–	–	3,607	–	–	3,607	13	3,620
Other comprehensive income carried forward retained earnings	–	–	–	–	(3,000)	(3,000)	–	(3,000)
Others	–	–	–	–	3,833	3,833	–	3,833
Sub-total of the changes during the year	**–**	**–**	**3,607**	**–**	**(276,477)**	**(272,870)**	**(14,890)**	**(287,760)**
Balance as at 31 December 2018	**197,310**	**934,421**	**105,434**	**130,931**	**(401,551)**	**966,545**	**44,047**	**1,010,592**

RMB'000

Item	For the year ended 31 December 2017							
	Attributable to shareholders of the Company							
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves (note)	Undistributed profits	Subtotal	Non-controlling interest	Total shareholders' equity
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

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 2018 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: Chong Qing America is 100% holding by the Group's 60% direct holding subsidiary Chongqing Media.

Note 2: Community Travelling is 100% holding by the Group's 52.661% direct holding subsidiary Beiqing Community Media.

Note 3: Community Business 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 2018 have been prepared on a going concern basis and based on the actual transactions and matters incurred, in accordance with Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance of the People's Republic of China, including adoption of nine revised and new basic and specific standards issued by MOF ("New PRC Accounting Standards") and other relevant regulations issued by MOF ("PRC Accounting Standards") in 2014, 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 "Significant 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 2018 and their consolidated operating results, consolidated cash flows and other relevant information for the year then ended.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Period

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

2. Reporting currency

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

3. Basis of preparation and principle of measurement

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

4. Business Combination

(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 AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(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 BASIS OF 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 AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

8. Foreign currency

(1) 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 exchange rate similar to 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 exchange rate similar to the 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.

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

9. Financial instruments

(1) Classification and reclassification of financial instruments

A financial instrument is a contract that forms the financial assets of a party and forms the financial liabilities or equity instruments of other parties.

1) Financial assets

The Company will classify its financial assets as financial assets carried at amortised cost if both of the following conditions are met: ① Where the Company's business model for managing financial assets is aimed at collecting contractual cash flows; ② the contractual terms of the financial assets stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount.

The Company will classify its financial assets as financial assets at fair value through other comprehensive income if both of the following conditions are met: ① Where the Company's business model for managing financial assets is aimed at both collecting contractual cash flows and selling the financial assets; ② the contractual terms of the financial assets stipulate that the cash flows generated on a specific date are only the payment of the principal and interest based on the outstanding principal amount.

For investments in non-trading equity instruments, the Company may, at the time of initial recognition, irrevocably designate it as a financial asset at fair value through other comprehensive income. The designation is based on a single investment and the relevant investment is in line with the definition of the equity instrument from the issuer's perspective.

For those financial assets other than financial assets measured at amortised cost and financial assets at fair value through other comprehensive income, the Company classifies it as financial assets at fair value through profit or loss. At initial recognition, if accounting mismatch can be eliminated or reduced, the Company may irrevocably designated financial assets as financial assets at fair value through other comprehensive income.

When the Company changes the business model for managing financial assets, all relevant financial assets as affected are reclassified on the first day of the first reporting period after the business model changes, and the reclassification are applied prospectively from the reclassification date. The Company does not retroactively adjust any previously recognized gains, losses (including impairment losses or gains) or interest.

2) Financial liabilities

On initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss; financial liabilities formed when transfer of financial assets does not meet the conditions of derecognition or continues to be involved in the transferred financial assets; financial liabilities at amortised cost. All financial liabilities are not reclassified.

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

9. Financial instruments *(Continued)*

(2) Measurement of financial instruments

On initial recognition, the Company's financial instruments are measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, the related transaction expense is directly recognized in profit or loss for the current period. For financial assets or financial liabilities of other classes, the related transaction expense is included in the amount of initial recognition. Accounts receivable or notes receivable arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company. Subsequent measurement of financial instruments depends on their classifications.

1) Financial Assets

① Financial assets at amortised cost

After initial recognition, such financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets at amortised cost that are not parts of any hedging relationships are included in profit or loss in the period which they incurred when derecognised, reclassified, amortised or recognised the impairment under the effective interest method.

② Financial assets at fair value through profit or loss

After initial recognition, gain or loss (including interest and dividend income) arisen from subsequent measurement of the financial assets (excluding the financial assets are parts of the hedging relationships) at fair value is included in profit and loss in the period which they incurred.

③ Debt instruments investment at fair value through other comprehensive income

After initial recognition, such financial assets are subsequently measured at fair value. Interest, impairment loss or gain and exchange gain and loss calculated using the effective interest method is included in profit or loss in the period which they incurred, and other gains or losses are recognised in other comprehensive income. When derecognised, the accumulated gains or losses previously recognised in other comprehensive income are transferred out from other comprehensive income and included in profit or loss in the period which they incurred.

④ Investment in non-trading equity instruments designated at fair value through other comprehensive income

After initial recognition, such financial assets are subsequently measured at fair value. Except that dividend income received (excluding the parts recovered as investment costs) is included in profit or loss, and other relevant gains or losses are included in other comprehensive income, and would not be transferred to profit or loss in the period.

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

9. Financial instruments *(Continued)*

(2) Measurement of financial instruments (Continued)

2) Financial Liabilities

① Financial liabilities at fair value through profit or loss

Such financial liabilities include financial liabilities for trading purpose (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss. After initial recognition, the financial liabilities are subsequently measured at fair value. Except for those involving the hedge accounting, the gains or losses (including interest expenses) arising from changes in fair value of financial liabilities for trading purpose are included in profit or loss in the period which they incurred.

The changes in fair value of financial liabilities designated at fair value through profit or loss that are attributable to changes of that financial liabilities' credit risk to be recognised in other comprehensive income, while other changes in fair value are included in profit or loss in the period. If the inclusion of the impact of changes in credit risk of such financial liabilities causes or increases the accounting mismatch of profit or loss, the Company will include all gains or losses of such financial liabilities in profit or loss in the period.

② Financial liabilities at amortised cost

After initial recognition, such financial liabilities are measured at amortised cost by using the effective interest method.

(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.

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

9. Financial instruments *(Continued)*

(4) Recognition and measurement of transfer of financial assets and financial liabilities

Financial assets

Financial assets of the Company are derecognised where: ① the contractual rights to receive cash flows from such financial assets have suspended; ② the Company has transferred substantially all the risks and rewards associated with ownership of such financial assets; ③ the Company has neither transferred nor retained substantially all the risks and rewards associated with ownership of such financial assets, and has not retained control of such financial assets.

In the case that the Company has neither transferred nor retained substantially all the rewards associated with ownership of such financial assets and has not retained control of such financial assets, the Company will continue to recognise such financial assets according to the extent of transfer of such financial assets, and will recognise relevant liabilities accordingly.

When the transfer of financial assets as a whole qualifies for derecognition, the Company will include the difference of the following two amounts in profit or loss in the period: ① the carrying amount of the transferring financial asset on the derecognition date; ② the sum of the consideration obtained from transferring the financial asset, and the amount of derecognised part in the accumulated changed amount of fair value directly included in other comprehensive income (the related transferring financial assets are the financial assets at fair value through other comprehensive income).

When a partial transfer of financial assets qualifies for derecognition, the carrying amount of the transferring financial asset is allocated between the part that subject to and the part not subject to derecognition, in proportion to the respective fair values of those parts. The difference between: ① the carrying amount of the part derecognised; and ② the sum of the consideration obtained from the part derecognised and the cumulative changed amount of fair value for the part derecognized (the related transferring financial assets are classified as the financial assets at fair value through other comprehensive income) is included in profit or loss in the period.

When derecognising the investment in non-trading equity instruments at fair value through other comprehensive income designated by the Company, the accumulated gains or losses previously included in other comprehensive income are transferred out from other comprehensive income and included in retained earnings.

Financial liabilities

Once the present obligation of financial liabilities (or parts of them) has been lifted, financial liabilities (or parts of them) of the Group has been derecognised.

The difference between the carrying amount of financial liabilities (or parts of them) and consideration paid (including transferred non-cash assets or liabilities) is recognised in profit or loss, when financial liabilities (or parts of them) are derecognised.

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

10. Determination and accounting treatment methods of expected credit loss

Based on the expected credit loss, the Company made the impairment accounting for financial assets at amortised cost (including notes receivable and accounts receivable, other receivables), debt investments at fair value through other comprehensive income, rental receivable and contractual assets, and recognised the provision for such losses.

The Company assesses whether the credit risk of relevant financial instruments since its initial recognition is significantly increased on each balance sheet date, and divides the process of credit impairment of financial instruments into three stages, with different accounting treatment methods for impairment of financial instruments in different stages: (1) first stage, where the credit risk of financial instruments is not significantly increased since its initial recognition, the Company measures the provision for loss based on the expected credit loss of such financial instruments in the next 12 months, and calculates the interest income based on its book balance (that is, without deduction for credit allowance) and effective interest; (2) second stage, where the credit risk of financial instruments is significantly increased since its initial recognition but no impairment of credits existed, the Company measures the provision for loss based on the expected credit loss of such financial instruments in the lifetime, and calculates the interest income based on its book balance and effective interest; (3) third stage, where impairment of credits existed since its initial recognition, the Company measures the provision for loss based on the expected credit loss of such financial instruments in the lifetime, and calculates the interest income based on its amortised cost (book balance minus provision made for impairment) and effective interest.

(1) Method of measuring loss allowance for financial instruments with lower credit risk

For financial instruments with lower credit risk as at the balance sheet date, the Company assumes that its credit risk has not significantly increased since its initial recognition, and measures the loss allowance based on the expected credit loss in the next 12 months by using a simplification approach.

(2) Method of measuring loss allowance for accounts receivable, contractual assets and rental receivable

1) Accounts receivable and contractual assets without containing significant financing elements

For accounts receivable or contractual assets without containing significant financing elements arising from the transactions regulated under the Accounting Standards for Business Enterprises No. 14 – Revenue, the Company adopts a simplification approach which always measures the provision for loss based on the expected credit loss in the lifetime.

For assets receivable to be derecognised, the Company conducts risk assessment based on the credit of assets receivable and makes provision for impairment loss.

The Company conducts individual assessment for impairment of assets receivable with significant amount (that is, the book balance of accounts receivable is more than RMB5 million). When there is objective evidence shows that the credit risk increases significantly, the Company will make individual provision for impairment loss. The provision for the credit loss in the lifetime of the amount of bad debt provision for assets receivable is made based on the difference between the book balance of assets receivable and the future cash flow, and the future cash flow of assets receivable is measured based on the recoverable amount assessed by the Company.

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

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

10. Determination and accounting treatment methods of expected credit loss *(Continued)*

(2) Method of measuring loss allowance for accounts receivable, contractual assets and rental receivable (Continued)

1) Accounts receivable and contractual assets without containing significant financing elements *(Continued)*

Receivables with bad debt provision made on a collective basis using portfolios with similar credit risk features.

Individually insignificant accounts receivable, for which there is no objective evidence under individual impairment tests warranting significant increase of credit risk, are divided into different asset groups based on their credit risk characteristics, and provision for impairment loss of each group is made in accordance with the expected credit loss models.

Bad debts provision amount of accounts receivable by aging group = balance of accounts receivable* expected credit loss rate of corresponding aging section, with the proportion of provision as follows:

Aging	Proportion of provision for accounts receivable *(%)*	Proportion of provision for other receivables *(%)*
Within 1 year	5.00	5.00
1 to 2 years	10.00	10.00
2 to 3 years	30.00	30.00
3 to 4 years	50.00	50.00
4 to 5 years	80.00	80.00
Over 5 years	100.00	100.00

Related party group:

Provision for accounts receivable are generally not made for related parties of the Company (such as intergroup related parties, 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. However, if there is concrete evidence indicating that a related party who is a debtor of the company the registration of which is revoked, is bankrupt, insolvent, or in serious shortage of cash flows and has no intention to undergo debt restructuring in respect of such receivables or the receivables cannot be otherwise collected, provision for bad debts should be made for the part that is not expected to be collected. If the entire amount due from a related party is not expected to be recovered, bad debt provision for the entire amount may be made.

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

10. Determination and accounting treatment methods of expected credit loss *(Continued)*

(2) Method of measuring loss allowance for accounts receivable, contractual assets and rental receivable (Continued)

1) Accounts receivable and contractual assets without containing significant financing elements *(Continued)*

Margins, deposits and petty cash group

Including items such as rental deposits, purchase deposits, petty cash and amount subsequently received. Generally, no bad debt provision is made for such accounts receivable. However, if there is objective evidence indicating that impairment existed in such kind of accounts receivable, the Company will make individual provision for bad debts and write-down of its carrying amount to recoverable amount.

In order to reflect the changes in the credit risk of financial instruments since its initial recognition, the Company re-measures the expected credit loss on each balance sheet date, and the increase or reversal of the loss provision resulting therefrom shall be deemed as impairment loss or gain to be included in profit and loss in the current period, and based on the types of financial instruments, offsetting against the carrying amount of the financial asset shown on the balance sheet or including in estimated liabilities (loans commitment or financial guarantee contracts) or including in other comprehensive income (investment in equity at fair value through profit or loss).

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 AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(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 AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(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 owner-occupied property is changed for earning rentals or for capital appreciation, the fixed asset or intangible asset is transferred to an investment property at the date of the change. On conversion, the carrying amount immediate before conversion is taken as the cost of the asset.

An investment property is 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 AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(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 AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(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 AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(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 AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

20. 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: The Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; 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 AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. Revenue

The Group has fulfilled its performance obligations of the contract that the revenue is recognised based on the transaction price of such performance obligation when the customers take control of the relevant goods or services. Obtaining the right to control the relevant goods means that it is able to dominate the use of the goods and derive almost all economic benefits therefrom. A performance obligation is a promise to deliver a good or provide a service (or a series of distinct goods or services) that are substantially the same and that have the same pattern of transfer to the customer. Transaction price means to the consideration that the Group is expected to receive a consideration due to the transfer of goods or services to the customer, but it does not include payments received on behalf of third parties and amounts that the Group expects to return to the customer.

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 published (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.25).

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

22. Contract cost

Contract cost includes the incremental cost happened for obtaining the contract and the contract performance cost. The incremental cost happened for obtaining the contract (the "contract obtaining cost") refers to the cost which will not occur if the contract is not obtained. Where the cost is expected to be recovered, the Company considers it as the contract obtaining cost and recognises it as an asset.

Where the cost happened for obtaining the contract does not fall into the scope of inventories and other accounting standards for business enterprises and meets the following conditions at the same time, the Company considers it as the contract performance cost and recognises it as an asset:

(1) The cost is directly related to a current contract or a contract expected to be obtained, including direct labor, direct materials, manufacturing fees (or similar fees), the cost set to be assumed by users and other cost arising merely from the contract;

(2) The cost increased the resources of the Company to be used for performing the performance obligations in the future;

(3) The cost is expected to be recovered.

The assets with the contract obtaining cost recognised and the assets with the contract performance cost recognised (hereafter referred to as the "contract cost-related assets") are amortized on the same basis as the recognition of revenue on commodities related to the asset and are included in the current profit or loss. The amortization period for the assets from the incremental cost on obtaining the contract shall be no more than one year and shall be included in the current profit or loss after happened.

When the carrying value of the contract cost-related assets is higher than the difference between the following two items, the impairment provisions for the excess shall be made and shall be recognised as losses on assets impairment:

(1) The remaining consideration expected to be obtained from transfer of commodities related to the asset;

(2) The cost estimated to be happened for the transfer of such commodities.

23. Government grants

(1) Category of government grants

Government grants are the monetary assets and non-monetary assets received from the government without consideration (excluding the capital invested by the government as the owner) and be classified as government grants related to assets or government grants related to income.

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

23. 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 and government grants not related to the Company's routine operation will be recorded in non-operating income.

(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 AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

24. 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.

25. 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.

26. 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 AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

26. 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:

1) represents a separate major line of business or geographical area of operations;

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

3) is a subsidiary acquired exclusively with a view to resale.

27. 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.

28. 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 AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

29. 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 Group assess expected credit loss of accounts receivable by using the probability of default of accounts receivable as the weight factor with to reasonable and supportable information of past events, current reference conditions, and forecast for future economic conditions. When determining the expected credit loss rate, the Group refers to the experience of historical credit loss, and makes adjustments considering the current situation and forward-looking information, which is measured with indicators including the risk of economic downturn, external market environment, industrial risks and customers.

(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 AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

29. 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 promulgated the revised Accounting Standards for Business Enterprises No. 14 — Revenue (hereafter referred to as "New Revenue Standard"), Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 23 — Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24 — Hedge Accounting and Accounting Standards for Business Enterprises No. 37 — Presentation of Financial Instruments (the above four standards are collectively referred to as "New Financial Instruments Standards") in 2017.

The Ministry of Finance promulgated the Notice on Revising and Issuing the Format of the Financial Statements of General Enterprises for the Year 2018 (Caikuai [2018] No.15) (《關於修訂印發2018年度一般企業財務報表格式的通知》(財會[2018]15號)) (hereafter referred to as "Format of the Financial Statements") in June 2018.

The Group had implemented the New Revenue Standard, the New Financial Instruments Standards and the Notice from 1 January 2018, and made adjustment to the content relating to its accounting policies.

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)*

(1) New Revenue Standard

The New Revenue Standard has replaced the Accounting Standards for Business Enterprises No. 14—Revenue and Accounting Standards for Business Enterprises No. 15—Construction Contracts (collectively, the "Original Revenue Standards") issued by the Ministry of Finance in 2006. Under the Original Revenue Standards, the Company recognised revenue when the risks and rewards had transferred. The New Revenue Standard introduces the "Five-step method" for calculating revenue recognition, and provides more guidelines for specific transactions or matters. Under the New Revenue Standard, the Group recognised revenue when the control had transferred. For details of accounting policies for revenue recognition and calculation, please refer to note V.21.

The adoption of the New Revenue Standard has no material impact on the Group, except for the presentation of its financial statements.

(2) New Financial Instruments Standards

The New Financial Instruments Standards divide financial assets into three categories: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss. Under the New Financial Instruments Standards, the classification of financial assets is determined based on the Company's business model for managing financial assets and the characteristics of contract cash flow of such assets. The New Financial Instruments Standards cancel the three categories of classification of held-to-maturity investments, loans and receivables and AFS financial assets. The New Financial Instruments Standards use the "expected credit loss" model to replace the "incurred loss" model under the original financial instruments standards. For details of the Group's accounting policies under the New Financial Instruments Standards, please refer to notes V.9 and V.10.

The adoption of the New Financial Instruments Standards has no material impact on the accounting policies in respect of the Group's financial liabilities.

Save for certain exceptions, the Group has made retrospective adjustments to the classification and measurement (including impairment) of the financial instruments in accordance with the New Financial Instruments Standards. The difference between the original carrying amount of financial instruments and their carrying amount as at the adoption date of the New Financial Instruments Standards (i.e., 1 January 2018) is credited to retained earnings or other comprehensive income at the beginning of 2018.

(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)*

(3) General impact of implementing the New Revenue Standard and the New Financial Instruments Standards on the adjustment of financial statements

The impact of implementing the New Revenue Standard and the New Financial Instruments Standards by the Company on each item of the Consolidated Balance Sheet and the Company's Balance Sheet as at 1 January 2018 is summarized as follows:

Items under the Consolidated Balance Sheet	Balance as at 31 December 2017 prior to the changes in accounting policies	Impact of the New Revenue Standard	Impact of the New Financial Instruments Standards	Balance as at 1 January 2018 upon the changes in accounting policies
Assets:				
Notes and accounts receivable	302,898	–	(10,553)	292,345
Other receivables	173,368	–	(808)	172,560
Financial assets available-for-sale	160,896	–	(160,896)	–
Investment in other equity instruments	–	–	218,475	218,475
Other non-current financial assets	–	–	53,746	53,746
Deferred income tax assets	17,727	–	470	18,197
Liabilities:				
Receipts in advance	30,067	(30,067)	–	–
Contractual liabilities	–	31,143	–	31,143
Other current liabilities	1,076	(1,076)	–	–
Deferred income tax liabilities	8,350	–	2,656	11,006
Shareholders' equity:				
Other comprehensive income	(1)	–	101,828	101,827
Undistributed profits	(121,797)	–	(3,277)	(125,074)
Non-controlling interest	59,710	–	(773)	58,937

(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)*

(3) General impact of implementing the New Revenue Standard and the New Financial Instruments Standards on the adjustment of financial statements (Continued)

Items under the Company's Balance Sheet	Balance as at 31 December 2017 prior to the changes in accounting policies	Impact of the New Revenue Standard	Impact of the New Financial Instruments Standards	Balance as at 1 January 2018 upon the changes in accounting policies
Assets:				
Notes and accounts receivable	165,167	–	(6,389)	158,778
Other receivables	147,152	–	(269)	146,883
Financial assets available-for-sale	112,638	–	(112,638)	–
Investment in other equity instruments	–	–	211,309	211,309
Other non-current financial assets	–	–	2,028	2,028
Liabilities:				
Receipts in advance	18,948	(18,948)	–	–
Contractual liabilities	–	20,024	–	20,024
Other current liabilities	1,076	(1,076)	–	–
Shareholders' equity:				
Other comprehensive income	(31)	–	101,749	101,718
Undistributed profits	(131,003)	–	(7,708)	(138,711)

(4) Impact of implementing the Format of the Financial Statements

According to the requirements of the Format of the Financial Statements, in addition to the changes arising from implementing the above New Revenue Standard and the New Financial Instruments Standards, the Group has combined "Notes receivable" with "Accounts receivable" and newly added the item "Notes and accounts receivable", combined "Dividend receivable" with "Interests receivable" and newly added the item "Other receivables", included "Disposal of fixed assets" in the item "Fixed assets", included "Construction materials" in the item "Construction in progress", combined "Notes payable" with "Accounts payable" and newly added the item "Notes and accounts payable", and included "Special payables" in "Long-term payable". The Company spins off the item "Research and development expenses" from the item "Management expenses", and spins off the detailed items of "Interest expenses" and "Interest income" under the item of Financial expenses. It also added the item "Transfer remeasurement changes in retained earnings of defined benefit plans". The Group has retroactively adjusted the financial statements of the corresponging period. Such changes in accounting policies have no impact on the combination and net profits of the Company as well as shareholders' equity.

(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)*

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%, 16%, 11%, 10%, 6%	17%, 16%, 11%, 10%, 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%

Note: According to the requirements of the "Notice of the State Administration of Taxation under the Ministry of Finance on Adjusting the Value-Added Tax Rate" (Cai Shui [2018] No. 32) (《財政部、稅務總局關於調整增值稅稅率的通知》(財稅[2018] 32號)), since 1 May 2018, for taxpayers engaged in VAT taxable sales activities and import of goods, the original applicable tax rates, being 17% and 11%, have been adjusted to 16% and 10%, respectively.

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.

According to the requirements of the "the Central Publicity Department and forwarded by the Ministry of Finance, the State Administration of Taxation and the Publicity Department of the Communist Party of China" (Cai Shui [2019] No. 16) (《財政部稅務總局中央宣傳部關於繼續實施文化體制改革中經營性文化事業單位轉制為企業若干稅收政策的通知》(財稅[2019] 16號)), enterprises which completed the transformation prior to 31 December 2018 may continue to be exempted from a five-year enterprise income tax since 1 January 2019.

(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 2018**	As at 31 December 2017
Bank balance and cash	**186,519**	325,612
Short-term bank deposits	**–**	31,488
Restricted bank deposits	**13,406**	6,720
Total	**199,925**	363,820

The Group's bank balances are deposited at banks in the PRC and carry interest at market interest rates of 0.30% to 1.60% (2017: 0.30% to 1.65%) per annum.

Restricted bank deposits represent marginal deposit for bank acceptance notes and carry market interest rates of 0.30% to 0.50% (2017: 0.30% to 0.50%) per annum.

2. Notes receivable and account receivable

Item	**As at 31 December 2018**	As at 31 December 2017
Notes receivable	**7,908**	1,666
Accounts receivable	**416,072**	415,870
Less: Provision for bad debts	**162,013**	114,638
Total	**261,967**	302,898

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

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

2. Notes receivable and Account receivable *(Continued)*

(1) Notes receivable

Item	As at 31 December 2018	As at 31 December 2017
Bankers' acceptances	**7,908**	1,666
Total	**7,908**	1,666

(2) Accounts receivable

Item	As at 31 December 2018	As at 31 December 2017
Accounts receivable	**416,072**	415,870
Less: Provision for bad debts	**162,013**	114,638
Net accounts receivable	**254,059**	301,232
For reporting purpose, analysis as:		
Non-current assets – long-term receivables	**–**	–
Current assets – accounts receivable	**254,059**	301,232
Total	**254,059**	301,232

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 2018	As at 31 December 2017
0-90 days	**28,833**	71,154
91-180 days	**21,537**	18,686
181-365 days	**14,287**	34,889
1-2 years	**47,392**	57,625
Over 2 years	**142,010**	118,878
Total	**254,059**	301,332

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

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

2. Notes receivable and Account receivable *(Continued)*

(2) Accounts receivable *(Continued)*

2) Analysis of account receivable by categories:

Item	As at 31 December 2018 Balance of carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)	As at 31 December 2017 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	**226,158**	**54.36**	**95,228**	**42.11**	261,071	62.78	64,320	24.64
Related party group	**163,824**	**39.37**	**40,747**	**24.87**	131,127	31.53	31,342	23.90
Margins, deposits and petty cash group	–	–	–	–	–	–	–	–
Sub-total	**389,982**	**93.73**	**135,975**	**34.87**	392,198	94.31	95,662	24.39
Insignificant individual receivables but with bad debt provision made on individual basis	**26,090**	**6.27**	**26,038**	**99.80**	23,672	5.69	18,976	80.16
Total	**416,072**	**100.00**	**162,013**		415,870	100.00	114,638	

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

Item	As at 31 December 2018 Amount	Percentage (%)	Provision for bad debts	As at 31 December 2017 Amount	Percentage (%)	Provision for bad debts
Within 1 year	**46,822**	**5.00**	**2,341**	108,578	–	–
1-2 years	**42,341**	**10.00**	**4,234**	43,396	10.00	4,340
2-3 years	**36,104**	**30.00**	**10,831**	37,781	30.00	11,334
3-4 years	**35,751**	**50.00**	**17,876**	28,022	50.00	14,011
Over 4 years	**65,140**	**92.03**	**59,946**	43,294	80.00	34,635
Total	**226,158**		**95,228**	261,071		64,320

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

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

2. Notes receivable and Account receivable *(Continued)*

(2) Accounts receivable (Continued)

3) The top five accounts receivable as at 31 December 2018 represented 44.99% 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 2018	As at 31 December 2017
Within 6 months	**12,239**	6,351
6 months to 1 year	**7,935**	7,569
1-2 years	**9,209**	18,118
2-3 years	**18,500**	22,757
3-4 years	**23,349**	17,146
Over 4 years	**46,339**	27,844
Total	**117,571**	99,785

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

3. Prepayments

Item	As at 31 December 2018	As at 31 December 2017
Prepayments	**18,528**	8,886
Less: Provision for bad debts	**–**	–
Net prepayments	**18,528**	8,886

(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. Prepayments *(Continued)*

The top five prepayments as at 31 December 2018 represented 97.04% of the total prepayments.

Aging	As at 31 December 2018	As at 31 December 2017
Within 1 year	**18,327**	6,514
1-2 years	**119**	1,885
2-3 years	**60**	487
Over 3 years	**22**	–
Total	**18,528**	8,886

4. Other receivables

Item	As at 31 December 2018	As at 31 December 2017
Interest receivable	**39**	421
Dividends receivable	**–**	–
Other receivables	**291,199**	210,448
Less: Provision for bad debts	**191,589**	37,501
Net other receivables	**99,649**	173,368

(1) Interest receivable

Nature	As at 31 December 2018	As at 31 December 2017
Fixed deposit interest	**39**	421
Total	**39**	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)*

4. Other receivables *(Continued)*

(2) Analysis of other receivables by categories:

	As at 31 December 2018				As at 31 December 2017			
	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 significant amount and individual provision for bad debts	185,009	63.53	185,009	100.00	–	–	–	–
Other receivables with bad debt provision made on group basis								
Aging group	20,848	7.16	4,366	20.94	193,230	91.82	35,517	18.38
Related party group	77,304	26.55	39	0.05	6,225	2.96	39	0.63
Margins, deposits and petty cash group	5,863	2.01	–	–	9,048	4.30	–	–
Sub-total	104,015	35.72	4,405	4.23	208,503	99.08	35,556	17.05
Insignificant individual other receivables but with bad debt provision made on individual basis	2,175	0.75	2,175	100.00	1,945	0.92	1,945	100.00
Total	291,199	100.00	191,589		210,448	100.00	37,501	

Other receivables with bad debt provision by aging group:

	As at 31 December 2018			As at 31 December 2017		
Item	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
Within 1 year	3,833	5.00	191	16,144	–	–
1-2 years	8,197	10.00	820	114,610	10.00	11,461
2-3 years	6,468	30.00	1,940	35,910	30.00	10,773
3-4 years	1,550	50.00	775	26,566	50.00	13,284
Over 4 years	800	80.00	640	–	–	–
Total	20,848		4,366	193,230		35,517

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

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

4. Other receivables *(Continued)*

(2) Other receivables by nature analysis:

Nature	As at 31 December 2018	As at 31 December 2017
Related party current account	**77,304**	6,225
External unit current	**131,880**	122,556
Consideration of equity transfer	**76,152**	72,320
Deposit and margin	**3,202**	5,808
Reserve funds	**2,660**	3,240
Other	**1**	299
Total	**291,199**	210,448

(3) The top five other receivables as at 31 December 2018 represented 88.13% of the total other receivables.

5. Inventories

Item	As at 31 December 2018 Carrying amount	Provision for impairment	Carrying value	As at 31 December 2017 Carrying amount	Provision for impairment	Carrying value
Goods in stock	**23,012**	**1,925**	**21,087**	36,526	238	36,288
Total	**23,012**	**1,925**	**21,087**	36,526	238	36,288

As 31 December 2018, no goods in stock which had been written down to net realizable value in prior years were sold (2017: 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)*

6. Other current assets

Item	As at 31 December 2018	As at 31 December 2017
Investment of film projects (Note)	**4,325**	12,880
VAT utilizable	**27,844**	24,280
Prepaid income tax	**153**	–
Others	**–**	5,136
Total	**32,322**	42,296

Note: Investment of film projects including:

The Group 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 Group will invest RMB1,800 thousand (representing 15% of total investment cost of the TV series) for the production of internet TV series "Creating Interenet Celebrity"(《網紅製造》). The Group 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 2018, the Group's balance of the investment in the TV series amounted to RMB1,325 thousand.

The Group 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 Group 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 Group 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 2018, the Group's balance of the investment in the TV series amounted to RMB3,000 thousand.

7. Long-term equity investment

(1) Types for long-term equity investments

Type	As at 31 December 2018	As at 31 December 2017
Investments in associates – under equity method	**23,088**	35,544
Less: provision for impairment for investments in associates	**948**	948
Total	**22,140**	34,596

(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)*

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

(2) Investments in associates

Investee	Balance as at 1 January 2018	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 dividend or profit	Provision for impairment	Others	Balance as at 31 December 2018	Balance of impairment provision as at 31 December 2018
1. Associates											
Beijing Leisure Trend Advertising Company Limited	–	–	–	–	–	–	–	–	–	–	–
Beijing Beiqing Shengda Automobile Service Company Limited	–	–	–	–	–	–	–	–	–	–	–
Beijing Beisheng United Insurance Agency	1,194	–	–	393	–	–	–	–	–	1,587	–
BY Times Consulting Co., Ltd	–	–	–	–	–	–	–	–	–	–	–
Beiqing Transmedia Co., Ltd ("Beiqing Transmedia")	–	–	–	–	–	–	–	–	–	–	–
Beijing Beiqing Top Advertising Limited	–	–	–	–	–	–	–	–	–	–	–
Hebei Jujingcai E-commerce Company Limited	–	–	–	–	–	–	–	–	–	–	–
Beijing Lingshi Technology Ltd.	–	–	–	–	–	–	–	–	–	–	–
Beijing International Advertising Media Group Co., Limited	30,439	–	–	(12,764)	(41)	–	–	–	–	17,634	–
Chongqing Soyang Internet Technology	948	–	–	–	–	–	–	–	–	948	948
Beijing Shangyou Network Technology	2,963	–	–	(44)	–	–	–	–	–	2,919	–
Total	35,544	–	–	(12,415)	(41)	–	–	–	–	23,088	948

(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. Investment in other equity instruments

(1) Investment in other equity instruments

Item	Investment cost	As at 1 January 2018	As at 31 December 2018	Dividend income resignised for the period
Beijing Keyin Media and Culture Co., Ltd.	6,560	57,875	46,110	2,848
Beiyang Publishing & Media AG	103,000	153,434	167,856	–
Beijing Gehua Sunshine Advertising Company	3,000	–	–	–
Beijing Youth Daily Newspaper Internet Communication Technology Co., Ltd.	500	7,166	4,461	–
Flint Ink (Beijing) Co., Ltd.	2,069	–	–	–
Total	115,129	218,475	218,427	2,848

(2) Investment in other equity instruments is analyzed as follows:

Type	As at 31 December 2018	As at 1 January 2018
Unlisted equity investments, China	**218,427**	218,475
Total	**218,427**	218,475

9. Other non-current financial assets

Item	As at 31 December 2018	As at 1 January 2018
Beijing Runxin Dingtai Investment Center (limited partnership)	**49,666**	46,718
Suzhou Huaying Culture Industry Investment Enterprise	**2,362**	2,028
Beijing 3D Investment Fund Management Ltd.	**–**	5,000
Total	**52,028**	53,746

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

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

10. Investment properties

(1) Investment properties measured at fair value

Item	Fair value as at 1 January 2018	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 2018
Cost	58,626	–	–	–	–	58,626
Buildings	58,626	–	–	–	–	58,626
Changes in fair value	98,283	–	(6,748)	–	–	91,535
Buildings	98,283	–	(6,748)	–	–	91,535
Carrying value	156,909	–	(6,748)	–	–	150,161
Buildings	156,909	–	(6,748)	–	–	150,161

The fair value of the Group's investment properties as at 31 December 2018 have been arrived at by reference to recent market prices for similar properties in the same locations and conditions.

As at 31 December 2018, the carrying values of the investment properties for which the Group had not been granted formal title amounted to approximately RMB22,186 thousand (2017: RMB76,532 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 RMB2,860 thousand (2017: RMB3,995 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)*

10. 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 2018	Fair value as at 31 December 2017
Located inside of PRC		
Medium term (10-70 years)	**139,681**	146,967
Located outside of PRC		
Long term (over 70 years)	**10,480**	9,942
Total	**150,161**	156,909

(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)*

10. 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)*

11. Fixed assets

(1) Breakdown of fixed assets

Item	As at 1 January 2018	Increase during the year	Decrease during the year	As at 31 December 2018
Total cost	37,588	465	4,746	33,307
Buildings	15,775	–	–	15,775
Plant and machinery	3,671	–	–	3,671
Motor vehicles	3,243	–	417	2,826
Office equipment	1,765	40	653	1,152
Electronic equipment	13,134	425	3,676	9,883
Total accumulated depreciation	31,729	2,236	4,486	29,479
Buildings	13,246	758	–	14,004
Plant and machinery	2,570	365	–	2,935
Motor vehicles	2,329	295	160	2,464
Office equipment	1,458	206	652	1,012
Electronic equipment	12,126	612	3,674	9,064
Total net carrying amount	5,859	–	–	3,828
Buildings	2,529	–	–	1,771
Plant and machinery	1,101	–	–	736
Motor vehicles	914	–	–	362
Office equipment	307	–	–	140
Electronic equipment	1,008	–	–	819
Total provision for impairment loss	–	–	–	–
Buildings	–	–	–	–
Plant and machinery	–	–	–	–
Motor vehicles	–	–	–	–
Office equipment	–	–	–	–
Electronic equipment	–	–	–	–
Total net book value	5,859	–	–	3,828
Buildings	2,529	–	–	1,771
Plant and machinery	1,101	–	–	736
Motor vehicles	914	–	–	362
Office equipment	307	–	–	140
Electronic equipment	1,008	–	–	819

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

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

11. Fixed assets *(Continued)*

(1) Breakdown of fixed assets (Continued)

For the year ended 31 December 2018, the depreciation of fixed assets recognized in the consolidated income statement amounted to RMB2,236 thousand (2017: RMB3,661 thousand).

For the year ended 31 December 2018, the net profit on disposal of fixed assets recognized in the consolidated income statement amounted to RMB47 thousand (2017: net loss of RMB245 thousand).

For the year ended 31 December 2018, the rental income generated from fixed assets recognized in the consolidated income statement amounted to RMB4,963 thousand (2017: RMB4,933 thousand).

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

Item	**As at 31 December 2018**	As at 31 December 2017
Located inside of PRC		
Medium term (10-70 years)	**1,771**	2,529
Total	**1,771**	2,529

(3) Fixed assets through operating lease

As at 31 December 2018, a fixed asset with carrying amount of RMB2,509 thousand (cost of RMB15,775 thousand) was leased out through operating lease (2017: carrying amounts of RMB2,529 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)*

12. Intangible assets

(1) Breakdown of intangible assets

Item	As at 1 January 2018	Increase during the year	Decrease during the year	As at 31 December 2018
Total cost	53,130	–	74	53,056
Land use rights	40,226	–	–	40,226
Software	2,104	–	74	2,030
Operation rights	10,800	–	–	10,800
Total accumulated amortization	20,850	1,473	74	22,249
Land use rights	17,652	888	–	18,540
Software	1,578	225	74	1,729
Operation rights	1,620	360	–	1,980
Total carrying amount	32,280	–	–	30,807
Land use rights	22,574	–	–	21,686
Software	526	–	–	301
Operation rights	9,180	–	–	8,820

For the year ended 31 December 2018, the amortization of intangible assets recognized in the consolidated income statement for the year is RMB1,473 thousand (2017: RMB1,513 thousand).

The land use rights of the Group are located in PRC under medium lease (less than 50 years but not less than 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)*

13. Goodwill

Item	As at 31 December 2018	As at 1 January 2018
Goodwill arising from the acquisition of Beiqing CéCi	**47,377**	47,377
Less: provision for impairment loss	**47,377**	16,947
Total	**–**	30,430

Goodwill arising from the acquisition of Beiqing CéCi in 2011 was RMB47,377 thousand. Beiqing CéCi mainly engaged in fashion magazine advertising business, and the company identified the asset of Beiqing CéCi as an asset group. For the purpose of impairment testing, goodwill is allocated to Beiqing Céasset group, the recoverable amount of the asset group containing goodwill is determined on the basis of the fair value of the asset group. The future cash flows are based on the budget in the next five years and subsequent years that approved by the management. The other key assumptions when estimating the future cash flows includes: the previous operating data of the asset group, external economic environment, the estimation of future market development by the management, estimated operating income, gross profit, expense, depreciation and amortization. Based on the appraisal result of the "asset appraisal report" issued by Beijing Hengxincheng asset appraisal co., LTD., the goodwill provision for impairment loss is RMB30,430 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.

14. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets not written off

Item	As at 31 December 2018		As at 1 January 2018	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	**17,932**	**4,483**	15,144	3,786
Uncompensated loss	**49,225**	**12,306**	57,644	14,411
Total	**67,157**	**16,789**	72,788	18,197

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

(2) Deferred income tax liabilities not written off

Item	As at 31 December 2018 Taxable temporary difference	As at 31 December 2018 Deferred income tax liabilities	As at 1 January 2018 Taxable temporary difference	As at 1 January 2018 Deferred income tax liabilities
Change in fair value of other equity instruments investment that are included in other comprehensive income	**3,961**	**990**	6,667	1,667
Change in fair value of other non-current financial assets	**6,908**	**1,727**	33,399	8,349
Change in fair value of investment properties	**26,075**	**6,519**	3,959	990
Total	**36,944**	**9,236**	44,025	11,006

(3) As at 31 December 2018, the Group has unused tax losses of approximately RMB137,916 thousand (2017: RMB123,973 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 2023.

15. Other non-current assets

Item	As at 31 December 2018	As at 31 December 2017
Film project prepaid expenses (Note)	**28,990**	28,990
Total	**28,990**	28,990

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 settlement period 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 2018, 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)*

16. Breakdown of impairment provision of assets

Item	As at 1 January 2018	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 2018
Provision for bad debts	163,500	190,233	–	–	131	353,602
Provision for impairment of inventories	238	1,687	–	–	–	1,925
Provision for impairment of investments in associate	948	–	–	–	–	948
Provision for impairment of goodwill	16,947	30,430	–	–	–	47,377
Total	181,633	222,350	–	–	131	403,852

17. Notes payable and Accounts payable

Item	As at 31 December 2018	As at 31 December 2017
Notes payable	**9,581**	31,970
Accounts payable	**14,309**	30,109
Total	**23,890**	62,079

(1) Notes payable

Item	As at 31 December 2018	As at 31 December 2017
Bankers' acceptances	**9,581**	31,970
Total	**9,581**	31,970

Note: As at 31 December 2018, 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)*

17. Notes payable and Accounts payable *(Continued)*

(2) Accounts payable

The following is an aging analysis of accounts payable as at 31 December 2018 presented based on the invoice date:

Item	As at 31 December 2018	As at 31 December 2017
0-90 days	**7,263**	16,599
91-180 days	**1,452**	1,678
181-365 days	**2,297**	3,804
Over one year	**3,297**	8,028
Total	**14,309**	30,109

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.

18. Contractual Liabilities

Item	As at 31 December 2018	As at 31 December 2017
Receipts advance	**47,393**	–
Deferred income of customer loyalty program (advertising incentives)	**224**	–
Total	**47,617**	–

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

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

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

18. Contractual Liabilities *(Continued)*

(1) As at 31 December 2018, the receipts advance by nature are as follows:

Item	As at 31 December 2018	As at 31 December 2017
Advertising amount	**28,893**	–
Trading amount of printing materials	**17,482**	–
Publication amount	**502**	–
Other receipts	**516**	–
Total	**47,393**	–

19. Employee benefit payables

(1) Classification for employee benefit payables

Item	As at 31 December 2018	As at 31 December 2017
Short-term remuneration	**7,153**	7,469
Post-employment benefit – Defined contribution plan	**573**	591
Total	**7,726**	8,060

(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. Employee benefit payables *(Continued)*

(2) Short-term remuneration

Item	As at 1 January 2018	Increase during the year	Decrease during the year	As at 31 December 2018
Salaries, bonus, allowances and subsidies	2,666	39,705	40,019	2,352
Staff benefits	–	1,206	1,199	7
Social security insurance	310	3,731	3,740	301
Including: medical insurance	281	3,349	3,359	271
Labour injury insurance	9	122	120	11
Maternity insurance	20	260	261	19
Housing fund	–	3,704	3,704	–
Union fund and staff education fund	4,493	481	481	4,493
Total	7,469	48,827	49,143	7,153

(3) Defined contribution plan

Item	As at 1 January 2018	Increase during the year	Decrease during the year	As at 31 December 2018
Basic pension insurance	568	6,296	6,312	552
Unemployment insurance	23	256	258	21
Total	591	6,552	6,570	573

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)*

20. Tax payables

Item	As at 31 December 2018	As at 31 December 2017
Value added tax	**1,065**	1,334
Corporate Income Tax	**48**	2,029
Personal Income Tax	**123**	333
Urban maintenance and construction tax	**132**	54
Education surcharge	**94**	37
Cultural Construction Fee	**768**	1,262
Stamp duty	**3**	–
Total	**2,233**	5,049

21. Other payables

(1) Other payables classification

Item	As at 31 December 2018	As at 31 December 2017
Interest payables	**–**	–
Dividend payables	**–**	–
Other payables	**51,065**	50,129
Total	**51,065**	50,129

As at 31 December 2018, no foreign currency-denominated payables in other payables (2017: nil).

(2) Other payables by natures

Item	As at 31 December 2018	As at 31 December 2017
Current account	**41,059**	39,840
Margin and Deposit	**8,256**	7,386
Receipt and payment	**292**	1,020
Other	**1,458**	1,883
Total	**51,065**	50,129

(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. Long-term loans

(1) Borrowings classification

Type	As at 31 December 2018	As at 31 December 2017
Pledged borrowings	**–**	–
Less: Borrowings due within one year	**–**	–
Secured loans	**6,927**	30,000
Less: Borrowings due within one year	**–**	–
Total	**6,927**	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 36 months (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. As at 31 December 2018, the amount of RMB23,073 thousand was repaid.

(2) Maturity analysis for long-term loans

Item	As at 31 December 2018	As at 31 December 2017
1 to 2 years	**6,927**	–
2 to 5 years	**–**	30,000
Total	**6,927**	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)*

23. Share Capital

Item	As at 31 December 2018	As at 31 December 2017
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

24. Capital reserves

Item	As at 1 January 2018	Increase during the year	Decrease during the year	As at 31 December 2018
Share capital premiums	934,421	–	–	934,421
Total	934,421	–	–	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)*

25. Other comprehensive income

		Amount for the year					
Item	As at 1 January 2018	Amount before income tax for the year	Less: other comprehensive income subsequently reclassified into retained earnings 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 2018
1. Other comprehensive income subsequently unable to be reclassified into profit or loss	101,828	(48)	(3,000)	(676)	3,628	–	105,456
Including: Changes in fair value of other investments of equity instruments	101,828	(48)	(3,000)	(676)	3,628	–	105,456
2. Other comprehensive income subsequently able to be reclassified into profit or loss	(1)	(8)	–	–	(21)	13	(22)
Including: Items attributable to investees under equity method subsequently reclassified to profit or loss	(31)	(41)	–	–	(41)	–	(72)
Including: Exchange differences from retranslation of financial statement	30	33	–	–	20	13	50
Total other comprehensive income	101,827	(56)	(3,000)	(676)	3,607	13	105,434

26. Surplus reserves

Item	As at 1 January 2018	Increase during the year	Decrease during the year	As at 31 December 2018
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)*

27. Undistributed profits

Item	For the year ended 31 December 2018 Amount	Appropriation (%)
Balance as at 31 December 2017	**(121,797)**	–
Add: Beginning retained earnings adjustment	**(3,277)**	–
Balance as at 1 January 2018	**(125,074)**	–
Add: Net profit attributable to shareholders of Company for Current Year	**(277,310)**	–
Disposal of other equity instruments investment	**833**	–
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 2018	**(401,551)**	–

As at 31 December 2018, the Group's undistributed profits attributable to the Shareholders of the Company included a surplus reserve of RMB227 thousand (2017: RMB308 thousand) from the subsidiaries.

28. 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 2018	As at 31 December 2017
BYD Logistics Company Limited	7.158	**5,189**	5,269
Beiqing CéCi Advertising (Beijing) Limited	15.31	**3,989**	12,150
Beiqing Long Teng Investment Management (Beijing) Co., Limited	19.16	**1,501**	1,989
Chongqing Youth Media Company Limited	40.00	**3,285**	3,550
Beiqing Community Media Technology Corporation Limited	47.34	**30,083**	35,979
Total		**44,047**	58,937

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

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

29. Total operating income, operating costs

Item	For the year ended 31 December 2018	For the year ended 31 December 2017
Principal operating income	**330,856**	411,807
Other operating income	**13,769**	14,901
Total operating income	**344,625**	426,708
Principal operating costs	**319,689**	373,641
Other operating costs	**5,992**	5,117
Total operating costs	**325,681**	378,758
Gross Profit	**18,944**	47,950

Total operating income, 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 2018		For the year ended 31 December 2017	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Advertising	**125,782**	**123,457**	173,263	150,027
Printing	**6,832**	**5,509**	8,934	7,431
Trading of print-related materials	**188,434**	**177,394**	189,991	177,287
Distribution	**859**	**1,171**	1,989	2,731
Other revenue	**8,949**	**12,158**	37,630	36,165
Total	**330,856**	**319,689**	411,807	373,641

(2) For the year ended 31 December 2018, the sum of operating income from the top five customers is RMB108,912 thousand representing 31.60% of total operating income.

(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. Sales Tax and Surcharges

Item	For the year ended 31 December 2018	For the year ended 31 December 2017
Cultural Construction Fee	**3,598**	4,819
Urban maintenance and construction tax	**267**	313
Education surcharge	**114**	134
Local Education surcharge	**76**	90
Stamp duty	**150**	162
Property tax	**1,811**	1,036
Urban land utilization tax	**13**	5
Vehicle and vessel tax	**4**	3
Other	**92**	123
Total	**6,125**	6,685

31. Financial expenses

Item	For the year ended 31 December 2018	For the year ended 31 December 2017
Interest expenses – on bank loans fully repayable within 5 years	**706**	1,073
Less: Interest income	**2,093**	2,613
Add: Exchange loss	**1**	–
Less: Exchange gain	**–**	13
Add: Other expenses	**78**	1,309
Total	**(1,308)**	(244)

(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. Impairment loss of assets

Item	For the year ended 31 December 2018	For the year ended 31 December 2017
Provision for bad debts	–	62,689
Impairment loss on inventories	1,687	238
Provision for impairment of investments in associate	–	948
Provision for impairment of goodwill	30,430	4,947
Total	32,117	68,822

33. Credit impairment losses

Item	For the year ended 31 December 2018	For the year ended 31 December 2017
Provision for bad debts	190,233	–
Impairment loss of contractual assets	–	–
Total	190,233	–

34. Other income

Item	For the year ended 31 December 2018	For the year ended 31 December 2017
Government grants from routine activities	1,590	195
Total	1,590	195

(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. Gain on investment

Item	For the year ended 31 December 2018	For the year ended 31 December 2017
Share of profit of associates	**(12,415)**	(2,181)
Gain on disposal of interests in an associate	**–**	2,100
Investment income received from the disposal of financial assets at fair value through profit or loss	**1,509**	–
Investment income received from holding investments of other equity instruments	**2,848**	–
Other investment income:		
Other investment income	**(2,166)**	(20,567)
Sub-total of other investment income	**(2,166)**	(20,567)
Total	**(10,224)**	(20,648)

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

Item	For the year ended 31 December 2018	For the year ended 31 December 2017
Financial assets at fair value through profit or loss	**3,466**	–
Gain on changes in fair value of investment properties	**(6,748)**	46,291
Total	**(3,282)**	46,291

(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)*

37. Gain on disposal of asset

Item	For the year ended 31 December 2018	For the year ended 31 December 2017
Gain on disposal of fixed assets	**47**	245
Total	**47**	245

38. Non-operating income

Item	For the year ended 31 December 2018	For the year ended 31 December 2017
Compensation benefit	**25**	3
Others	**18**	93
Total	**43**	96

(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)*

39. Non-operating expenses

Item	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Loss on disposal of fixed assets	**2**	184
Loss from debt restructuring	**934**	–
Public donations expenses	**–**	500
Compensation and late payment charges	**1,041**	40
Others	**142**	1
Total	**2,119**	725

40. Income tax expenses

(1) Income tax expenses

Item	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Current income tax expenses	**1,261**	1,940
Deferred income tax expenses	**314**	1,270
Total	**1,575**	3,210

(2) Current tax expenses

Item	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Current income tax – PRC	**730**	2,226
Under-provision in prior years – PRC	**531**	(286)
Total	**1,261**	1,940

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)*

40. Income tax expenses *(Continued)*

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

Item	For the year ended 31 December 2018	For the year ended 31 December 2017
Total profit	**(290,638)**	(96,367)
Income tax calculated at the applicable tax rate of 25%	**(72,660)**	(24,092)
Tax effect of non-taxable income	**2,930**	(7,746)
Tax effect of non-deductible expenses	**8,494**	2,447
Tax effect of the Company's losses in current year	**58,360**	30,970
Utilisation of previously unrecognized tax losses	**3,920**	1,917
Underprovision in prior years	**531**	(286)
Total	**1,575**	3,210

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.

Pursuant 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" (Cai Shui [2019] No.16), the enterprises that have completed the transformation before 31 December 2018 can continue to enjoy the five-year EIT exemption starting from 1 January 2019.

41. Auditors' remuneration

The auditors' remuneration for the year was RMB1,800 thousand (2017: 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)*

42. Emoluments of Directors, Supervisors and Employees

(1) Emoluments of Directors and Supervisors

1) The amount paid or payable as emoluments to the 24 (2017: 21) directors and supervisors are as follows:

For the year ended at 31 December 2018:

Name	Fees	Salary	Other benefits (i)	Employer's contribution to retirement benefit scheme	Total
Directors					
Ji Chuanpai	–	–	–	–	–
Li Xiao Bing	–	–	–	–	–
Zhang Yanping	–	–	–	–	–
Yu Haibo	–	–	–	–	–
He Xiaona	–	–	–	–	–
Yang Wenjian	–	–	–	–	–
Peng Liang	–	–	–	–	–
Shangda	–	380	73	55	508
Li Xin	–	352	68	51	471
Zang Furong	–	–	–	–	–
Wu Bin	–	–	–	–	–
Xu Xun	30	–	–	–	30
Liu Hong	60	–	–	–	60
Sun Fang	30	–	–	–	30
Wu Tak Lung	100	–	–	–	100
Cui Enqing	100	–	–	–	100
Chen Ji	100	–	–	–	100
Wu Changyi	100	–	–	–	100
Zhou Bingquan	100	–	–	–	100
Subtotal	620	732	141	106	1,599
Supervisors					
Zhang Zhibing	–	–	–	–	–
Zhang Chuanshui	20	–	–	–	20
Zhao Meng	13	–	–	–	13
Yan Mengmeng	–	226	57	42	325
Zhang Bo	–	211	46	34	291
Subtotal	33	437	103	76	649
Total	653	1,169	244	182	2,248

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)*

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

(1) Emoluments of Directors and Supervisors (Continued)

1) The amount paid or payable as emoluments to the 24 (2017: 21) directors and supervisors are as follows: *(Continued)*

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	–	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.

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

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

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

(2) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2017: three) were directors. The emoluments of the remaining three individual (2017: two) were as follows:

Item	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Basic salaries and allowance	**1,326**	1,366
Employer's contributions to retirement benefit scheme	**165**	94
Total	**1,491**	1,460

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

Item	**For the year ended 31 December 2018**	For the year ended 31 December 2017
HKD0-HKD1,000,000 (equivalent to RMB876,200)	**3**	2
Total	**3**	2

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

(3) Emoluments of Senior Management

The remunerations of Senior Management fall within the following band:

Item	**For the year ended 31 December 2018**	For the year ended 31 December 2017
HKD0-HKD500,000 (equivalent approximately to RMB438,100)	**1**	2
HKD500,001-HKD1,000,000 (equivalent approximately RMB438,100 to RMB876,200)	**–**	1
Total	**1**	3

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

43. Retirement benefit scheme – defined contribution plans

All the full time employees of the Group are covered by a state-managed retirement benefit scheme under which the employees are entitled to an annual pension equal to their basic salaries upon their retirements. The PRC government is responsible for the pension liability to these retired employees. The Group was required to make defined contributions to the pension scheme at the rate of 20% for the year ended 31 December 2018 (2017: 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 2018, contributions from retirement benefit scheme recognized in income statement was RMB6,296 thousand (2017: RMB7,092 thousand).

44. Dividends

(1) The directors didn't propose any final divided for 2018 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.

45. Distributable reserve

As at 31 December 2018, the Company's accumulated profits was RMB367,582 thousand (accumulated profits as at 31 December 2017: RMB-131,003 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)*

46. Other comprehensive income

Item	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Other comprehensive income not to be reclassified to profit or loss		
Changes in fair value of other equity instruments investments	**3,628**	–
Other comprehensive income to be reclassified to gains or loss:		
Items attributable to investees under equity method subsequently reclassified to profit or loss	**(41)**	(31)
Exchange differences from retranslation of financial statements	**20**	(41)
Subtotal	**(21)**	(72)
Total	**3,607**	(72)

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

Item	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Net profit	**(292,213)**	(99,577)
Add: Impairment loss of assets	**32,117**	68,822
Impairment loss of credit	**190,233**	–
Fixed assets depreciation	**2,236**	3,661
Amortization of intangible assets	**1,473**	1,513
Amortization of long-term prepaid expenses	**17**	867
(Loss)/gain on disposal of fixed assets, intangible assets and other long-term assets	**(47)**	(61)
Loss on scrapping of fixed assets	**2**	–
Loss/(gain) on the changes in fair value	**3,282**	(46,291)
Financial expenses	**706**	1,055
Loss/(gain) on investment	**10,224**	(1,575)
Decrease/(increase) in deferred income tax assets	**1,408**	(2,566)
Increase/(decrease) in deferred income tax liabilities	**(1,094)**	3,836
Decrease/(increase) of inventories	**13,514**	(8,349)
Decrease/(increase) in operating accounts receivable	**(20,810)**	129,238
Increase/(decrease) in operating accounts payable	**(21,087)**	(67,324)
Net cash flow used in operating activities	**(80,039)**	(16,751)

(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. Changes in cash and cash equivalents

Item	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Bank balances and cash at the end of year	**186,519**	325,612
Less: Bank balances and cash at beginning of year	**325,612**	132,953
Cash equivalents at the end of year	**–**	–
Less: cash equivalents at beginning of year	**–**	–
Net change in cash and cash equivalents	**(139,093)**	192,659

49. Cash and cash equivalents

Item	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Bank balances and cash	**199,925**	363,820
Less: Short-term bank deposits with maturity more than 3 months	**–**	31,488
Less: Restricted bank deposits	**13,406**	6,720
	186,519	325,612
Representing:		
Cash in hand	**68**	368
Deposits held at call with banks	**186,451**	325,239
Other currencies held at call with banks	**–**	5
Cash and cash equivalents at the end of the year	**186,519**	325,612

50. Major non-cash transactions

During the year, certain advertising customers settled the obligation payable to the Group of RMB3,036 thousand through transferring other inventory at fair value of RMB3,036 thousand.

IX. CHANGES IN CONSOLIDATED SCOPE

The Group had no change in consolidated scope as a result of business combination.

(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	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.	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

(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 2018
BYD Logistics Company Limited	7.16	(80)	–	5,182
Beiqing CéCi Advertising (Beijing) Limited	15.31	(8,161)	–	3,991
Beiqing Long Teng Investment Management (Beijing) Co., Limited	19.16	(487)	–	831
Chongqing Youth Media Company Limited	40.00	(279)	–	3,284
Beiqing Community Media Technology (Beijing) Co. Ltd.	47.339	(5,896)	–	30,083

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

	As at 31 December 2018						As at 31 December 2017					
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	212,419	5,291	217,710	145,219	-	145,219	143,452	4,435	147,887	73,058	–	73,058
Beiqing CéCi Advertising (Beijing) Limited	36,551	78	36,629	10,573	-	10,573	46,160	104	46,264	13,061	–	13,061
Beiqing Long Teng Investment Management (Beijing) Co., Limited	11,989	-	11,989	8,116	-	8,116	9,922	5,009	14,931	8,115	–	8,115
Chongqing Youth Media Company Limited	6,646	10,672	17,318	9,107	-	9,107	4,322	10,398	14,720	5,755	–	5,755
Beiqing Community Media Technology (Beijing) Co. Ltd.	65,425	15,452	80,877	17,330	-	17,330	77,284	17,796	95,080	18,266	–	18,266

(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)*

	For the year ended 31 December 2018				For the year ended 31 December 2017			
Name of subsidiary	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
BYD Logistics Company Limited	**232,020**	**(1,125)**	**(1,125)**	**76,220**	240,625	2,226	2,226	(6,089)
Beiqing CéCi Advertising (Beijing) Limited	**11,813**	**(5,915)**	**(5,915)**	**(366)**	12,190	(13,362)	(13,362)	(686)
Beiqing Long Teng Investment Management (Beijing) Co., Limited	**–**	**(2,544)**	**(2,544)**	**(10)**	–	(80)	(80)	9
Chongqing Youth Media Company Limited	**10,718**	**(698)**	**(698)**	**1,216**	7,400	(3,299)	(3,365)	(1,525)
Beiqing Community Media Technology (Beijing) Co., Ltd.	**51,705**	**(12,454)**	**(12,454)**	**6,268**	55,323	(24,158)	(24,158)	(23,325)

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

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

2. 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	Beijing	Beijing	Design, production, agency advertising	49.04	–	49.04	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 (Note)	Beijing	Beijing	Design, production, agency advertising	14.99	–	14.99	Limited liability Company

Note: The shareholding of Beijing International Advertising Media Group Co., Ltd by the Company is 14.99%, and the Company has appointed the decision-making of the production and operation of such company and has significant influence over such company.

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

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

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

2. Interests in associates *(Continued)*

(2) *Financial information for associates*

Item	As as 31 December 2018/ for the year ended 31 December 2018	As as 31 December 2017/ for the year ended 31 December 2017
Associates:		
Total book value in investment	**22,140**	34,596
Aggregated amounts per shareholding percentage for the followings:		
– net profits	**(12,415)**	(2,181)
– other comprehensive income	**(41)**	(31)
– total comprehensive income	**(12,456)**	(2,212)

(3) *Excess losses from associates*

Name of associates	Accumulated unrecognized losses in the previous years on 31 December 2017	Unrecognized loss for the year (or net profits shared in the year)	Accumulated unrecognized losses on 31 December 2018
Beijing Leisure Trend Advertising Company Limited	(4,578)	(385)	**(4,963)**
Beijing Beiqing Shengda Automobile Service Company Limited	(828)	(367)	**(1,195)**
Beijing Beiqing Top Advertising Limited	(12,610)	(8)	**(12,618)**
Hebei Jujingcai E-commerce Company Limited	(699)	(157)	**(856)**
BY Times Consulting Co., Ltd.	(41)	(21)	**(62)**
Total	(18,756)	(938)	**(19,694)**

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

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 2018 Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
1. Fair value measurement on recurred basis				
(I) Other non-current financial assets	–	–	52,028	52,028
1. Financial assets at fair value through profit or loss	–	–	52,028	52,028
(1) Investment in equity instruments	–	–	52,028	52,028
(II) Investment in other equity instruments	–	–	218,427	218,427
(III) Investment property	–	150,161	–	150,161
1. Leased building	–	150,161	–	150,161
Total assets at fair value on recurred basis	–	150,161	270,455	420,616

(1) The fair value of the Group's other non-current financial assets as at 31 December 2018 is determined with reference to the valuation of net assets of investees;

(2) The fair value of the Group's other equity instruments as at 31 December 2018 is determined based on the valuation conducted by the Group using the market approach;

(3) The fair value of the Group's investment properties as at 31 December 2018 is determined based on the recent market value of properties located at the same place with similar 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
Key Management Personnel	Directors, supervisors and senior management personnel including Ji Chuanpai

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	Ji Chuanpai	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 2018	Increasing during the period	decreasing during the period	As at 31 December 2018
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 2018	As at 1 January 2018	As at 31 December 2018	As at 1 January 2018
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 2018**	For the year ended 31 December 2017
BYDA (Note)	Contracted price	**11,489**	14,479
Subsidiaries of BYDA	Contracted price	**2,792**	–
Associates of the Company	Contracted price	**–**	–
Other related parties	Contracted price	**2,103**	3,023
Total		**16,384**	17,502

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 2018**	For the year ended 31 December 2017
BYDA	Contracted price	**332**	341
Subsidiaries of BYDA	Contracted price	**14,494**	10,946
Associates of the Company	Contracted price	**92**	737
Other related parties	Contracted price	**1,428**	1,779
Total		**16,346**	13,803

(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	4,877

(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

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	1,730
Chongqing Youth Daily	Building	2016-4-22	2019-4-21	Contracted price	362

(5) Others

During the year as at 31 December 2018, the outflow of capital transaction with Beijing Beiqing Top Advertising Limited, a subsidiary of the Company, was RMB125,000 thousand, while the inflow was RMB60,000 thousand; the outflow of capital transaction with BYDA was RMB258,000 thousand, while the inflow was RMB258,000 thousand; the outflow of capital transaction with Beijing Beiqing Qingshao Media Co., Ltd. (北京北青教育傳媒有限公司), a subsidiary of BYDA, was RMB50,000 thousand, while the inflow was RMB44,800 thousand; the outflow of capital transaction with Beijing China Open Promotion Co., Ltd. (北京中國網球公開賽體育推廣有限公司), a subsidiary of BYDA, was RMB27,000 thousand, while the inflow was RMB27,000 thousand.

(6) Remuneration for key management personnel

Item	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Remuneration for key management personnel	**2,756**	3,973

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

Nil

(8) Connected transactions

Save as the connected transactions and continuing connected transactions disclosed in the chairman's statement of the 2018 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 2018, the following continuing related party transactions of the Company constitute continuing connected transactions under the Chapter 14A of the Listing Rules.

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 2018		
Mutual Property Tenancy Agreement	BYDA	2015-10-22	Rental income	5,381	4,877
			Rental expense	1,909	1,730
Advertising Business Agreement	BYDA	2015-10-22	Payment of exclusive advertising right	55,000	6,856
Printing Framework Agreement	BYDA & Subsidiaries	2015-10-22	Payment of printing services	40,000	9,908
Distribution Services Framework Agrement	BYDA & Subsidiaries	2015-10-22	Payment for distribution services of direct mail and wrap – around advertisement	3,000	245
Advertising Agency Framework Agreement	BYDA & Subsidiaries	2015-10-22	Advertising placement income	50,000	4,835
			Advertising placement expense	50,000	3,180

(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

(1) Accounts receivable due from related parties

	As at 31 December 2018		As at 31 December 2017	
Related parties	**Carrying amount**	**Provision for bad debts**	Carrying amount	Provision for bad debts
BYDA	**5,433**	**–**	–	–
Associates of the Company	**47,884**	**40,747**	34,668	31,342
Subsidiaries of BYDA	**110,411**	**–**	96,217	–
Other related parties	**96**	**–**	242	–
Total	**163,824**	**40,747**	131,127	31,342

(2) Other receivables due from related parties

	As at 31 December 2018		As at 31 December 2017	
Related parties	**Carrying amount**	**Provision for bad debts**	Carrying amount	Provision for bad debts
Associates of the Company	**65,039**	**39**	39	39
Subsidiaries of BYDA	**12,231**	**–**	6,186	–
Other related parties	**34**	**–**	–	–
Total	**77,304**	**39**	6,225	39

(3) Accounts payable due to related parties

Related parties	**As at 31 December 2018**	As at 31 December 2017
BYDA	**334**	5,496
Subsidiaries of BYDA	**242**	944
Other related parties	**675**	2,189
Total	**1,251**	8,629

(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)*

(4) Other payables due to related parties

Related parties	As at 31 December 2018	As at 31 December 2017
BYDA	**3,816**	–
Subsidiaries of BYDA	**–**	988
Other related parties	**–**	414
Total	**3,816**	1,402

(5) Prepayment due to related parties

Related parties	As at 31 December 2018	As at 31 December 2017
BYDA	**8,555**	–
Total	**8,555**	–

(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 2018, the Group had contracted for the minimum lease payments under non-cancelable operating leases during following periods:

Period	**As at 31 December 2018**	As at 31 December 2017
Within one year	**3,980**	6,048
1-2 years	**2,988**	728
2-3 years	**2,223**	–
After 3 years	**–**	–
Total	**9,191**	6,776

2. The Group as Lessor

As at 31 December 2018, the Group had contracted with tenants for the following future minimum lease payments:

Period	**As at 31 December 2018**	As at 31 December 2017
Within one year	**5,962**	8,318
1-2 years	**5,395**	457
2-3 years	**5,381**	–
After 3 years	**–**	–
Total	**16,738**	8,775

(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 2018, 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 2018**	As at 31 December 2017
Within one year	**1,154**	10,914
1-2 years	**–**	1,154
2-3 years	**–**	–
Total	**1,154**	12,068

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.

(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 2018

Item	Advertising	Printing	Trading of print-related material	Distribution	Unallocated amount	Elimination	Total
Operating income	129,065	19,475	212,459	859	24,974	(42,207)	344,625
Including: Income from external transactions	125,782	6,832	188,434	859	22,718	–	344,625
Income from intra-segment transactions	3,283	12,643	24,025	–	2,256	(42,207)	–
Total operating costs	285,549	19,164	212,453	1,483	114,446	(11,777)	621,318
Gains on changes in fair value	–	–	–	–	(3,282)	–	(3,282)
Investment income	–	–	–	–	(10,224)	–	(10,224)
Gain on disposal of asset	–	–	–	–	47	–	47
Other income	–	–	–	–	1,590	–	1,590
Operating profit (loss)	(156,484)	311	6	(624)	(101,341)	(30,430)	(288,562)
Non-operating income and expenses	(919)	(78)	(852)	2	(229)	–	(2,076)
Total profit	(157,403)	233	(846)	(622)	(101,570)	(30,430)	(290,638)
Income tax expenses	309	20	220	–	1,026	–	1,575
Net profit	(157,712)	213	(1,066)	(622)	(102,596)	(30,430)	(292,213)
Total assets	664,898	17,898	195,251	1,388	772,418	(492,567)	1,159,286
Total liabilities	168,107	12,189	132,976	730	31,884	(197,192)	148,694
Supplementary information							
Depreciation and amortization expenses	2,814	38	418	21	435	–	3,726
Capital expenditure	2,156	1	14	2	245	–	2,418
Impairment of assets	102,208	301	3,281	4	86,126	30,430	222,350
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 2017

Item	Advertising	Printing	Trading of print-related material	Distribution	Unallocated amount	Elimination	Total
Operating income	187,037	24,822	215,718	1,989	54,161	(57,019)	426,708
Including: Income from external transactions	173,263	8,934	189,991	1,989	52,531	–	426,708
Income 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	56,219	(52,072)	548,529
Gains on changes in fair value	–	–	–	–	46,291	–	46,291
Investment income	–	–	–	–	(20,648)	–	(20,648)
Gain on disposal of assets	–	–	–	–	245	–	245
Other income	–	–	–	–	195	–	195
Operating profit (loss)	(115,400)	989	1,776	(2,181)	24,025	(4,947)	(95,738)
Non-operating income and expenses	(483)	(15)	(135)	–	4	–	(629)
Total profit	(115,883)	974	1,641	(2,181)	24,029	(4,947)	(96,367)
Income tax expenses	(1,776)	80	697	–	4,209	–	3,210
Net profit	(114,107)	894	944	(2,181)	19,820	(4,947)	(99,577)
Total assets	886,922	15,261	132,626	3,956	676,899	(320,280)	1,395,384
Total liabilities	153,613	7,539	65,519	1,546	21,930	(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	–	–	–	–	–	–	–

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 2018**	As at 31 December 2017
Investment properties and fixed assets	**152,670**	159,448
Total	**152,670**	159,448

(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	For the year ended 31 December 2018	For the year ended 31 December 2017
Cost of raw materials and inventory goods	**181,305**	178,369
Press production, printing and distribution and delivery charges	**56,251**	71,617
Advertising space and newspaper operation right transferring fee and agency fee	**60,361**	80,165
Employee remuneration, social security, provident fund, employee benefit, educational fee and union fee	**55,491**	70,174
Leasing, property, utilities and maintenance fee	**11,215**	19,982
Impairment loss on assets	**222,350**	68,822
Intermediary, professional services and labour costs	**16,601**	34,068
Travel, communication, meeting and Business Hospitality	**5,386**	8,131
Office, information and communication costs	**3,193**	3,081
Sales tax and surcharge	**6,125**	6,685
Depreciation and amortization expense	**3,726**	6,041
Transportation and handling charges	**495**	1,256
Financial expenses	**(1,308)**	(244)
Others	**128**	382
Total	**621,317**	548,529

2. Earnings per share

Item	For the year ended 31 December 2018	For the year ended 31 December 2017
Comprehensive income attributable to shareholders of the Company	**(273,703)**	(85,323)
Weighted average number of issued ordinary shares (thousand shares)	**197,310**	197,310
Earnings per share (RMB)	**(1.39)**	(0.43)

Diluted earnings per share and basic earnings per share for the two years ended 31 December 2017 and 2018 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 2018**	As at 31 December 2017
Financial assets		
Investment at fair value through profit or loss, at fair value	**52,028**	–
Loan and receivables (including cash and cash equivalents)	**593,863**	882,382
Financial liabilities, at amortised cost	**91,841**	155,317

Major financial instruments of the Group include bank balances and cash, financial assets available for sale, notes receivable and 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 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 base points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would increase/decrease by 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 2018, 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	**31/12/2018**	31/12/2017	**31/12/2018**	1/1/2018	**31/12/2018**	31/12/2017	**31/12/2018**	31/12/2017
Notes payable and accounts payable	**23,890**	62,079	**–**	–	**23,890**	62,079	**23,890**	62,079
Other payables	**51,065**	50,129	**–**	–	**51,065**	50,129	**51,065**	50,129
Non-current liabilities due within one year	**–**	–	**–**	–	**–**	–	**–**	–
Long-term loans	**–**	–	**6,927**	30,000	**7,481**	30,000	**6,927**	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

Item	*Notes*	**As at 31 December 2018**	As at 1 January 2018	As at 31 December 2017
Current assets:				
Bank balances and cash		**114,638**	196,411	196,411
Notes and accounts receivable	*XVIII.1*	**144,635**	158,778	165,167
Prepayments		**114,239**	17,075	17,075
Other receivable		**2,281**	146,883	147,152
Inventories		**2,770**	5,813	5,813
Other current assets		**30,679**	34,675	34,675
Total current assets		**409,242**	559,635	566,293
Non-current assets:				
Financial assets available-for-sale		**–**	–	112,638
Investment in associates	*XVIII.2*	**313,525**	325,937	325,937
Other Investment in Equity instruments		**213,966**	211,309	–
Other Non-current Financial Assets		**2,361**	2,028	–
Investment properties		**100,663**	100,625	100,625
Fixed assets		**3,536**	4,335	4,335
Construction-in-progress		**1,953**	–	–
Intangible assets		**30,761**	32,166	32,166
Other non-current assets		**28,990**	28,990	28,990
Total non-current assets		**695,755**	705,390	604,691
Total assets		**1,104,997**	1,265,025	1,170,984

(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)*

Item	As at 31 December 2018	As at 1 January 2018	As at 31 December 2017
Current liabilities:			
Notes and accounts payable	**2,303**	6,945	6,945
Receipts in advance	**–**	–	18,948
Contract liabilities	**23,639**	20,024	–
Employee benefit payables	**4,593**	4,501	4,501
Tax payables	**567**	1,205	1,205
Other payables	**104,449**	36,649	36,649
Other current liabilities	**–**	–	1,076
Total current liabilities	**135,551**	69,324	69,324
Total liabilities	**135,551**	69,324	69,324
Shareholders' equity:			
Share capital	**197,310**	197,310	197,310
Capital reserves	**904,453**	904,453	904,453
Other Comprehensive income	**104,334**	101,718	(31)
Surplus reserves	**130,931**	130,931	130,931
Undistributed profits	**(367,582)**	(138,711)	(131,003)
Total shareholders' equity	**969,446**	1,195,701	1,101,660
Total liabilities and shareholders' equity	**1,104,997**	1,265,025	1,170,984

(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

Item	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
As at 1 January 2017	**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
Change in Accounting Policyes	–	–	101,749	–	(7,708)	94,041
As at 1 January 2018	197,310	904,453	101,718	130,931	(138,711)	1,195,701
Net profit	–	–	–	–	(228,871)	(228,871)
Others	–	–	2,616	–	–	2,616
Sub-total of the changes during the year	–	–	2,616	–	(228,871)	(226,255)
As at 31 December 2018	197,310	904,453	104,334	130,931	(367,582)	969,446

XVIII. EXPLANATORY NOTES TO MAJOR ITEMS OF THE COMPANY

1. Bills and accounts receivable of the Company

Item	As at 31 December 2018	As at 31 December 2017
Notes receivable	**–**	–
Accounts receivable	**263,566**	249,648
Less: Provision for bad debts	**118,931**	84,481
Total	**144,635**	165,167

(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. Bills and accounts receivable of the Company *(Continued)*

Accounts receivable of the Company

Item	As at 31 December 2018	As at 31 December 2017
Accounts receivable	**263,566**	249,648
Less: Provision for bad debts	**118,931**	84,481
Net accounts receivable	**144,635**	165,167
For reporting purpose, analysis as:		
Non-current assets – long-term receivables	**–**	–
Current assets – accounts receivable	**144,635**	165,167
Total	**144,635**	165,167

(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 2018	As at 31 December 2017
0-90 days	**8,463**	21,237
91-180 days	**9,452**	6,151
181-365 days	**7,846**	28,201
1-2 years	**35,058**	35,556
Over 2 years	**83,816**	74,022
Total	**144,635**	165,167

(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. Bills and accounts receivable of the Company *(Continued)*

(2) Analysis of account receivable by categories:

Item	As at 31 December 2018 Balance of carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)	As at 31 December 2017 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	152,297	57.78	76,383	50.15	147,733	59.18	51,338	34.75
Related party group	109,468	41.53	40,747	37.22	100,114	40.10	31,341	31.31
Margins, deposits and petty cash group	–	–	–	–	–	–	–	–
Sub-total	261,765	99.32	117,130	44.75	247,847	99.28	89,068	33.36
Insignificant individual receivables but with bad debt provision made on individual basis	1,801	0.68	1,801	100.00	1,801	0.72	1,801	100.00
Total	263,566	100.00	118,931		249,647	100.00	84,481	

(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. Bills and 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 2018 Amount	Percentage (%)	Provision for bad debts	As at 31 December 2017 Amount	Percentage (%)	Provision for bad debts
Within 1 year	13,149	5	657	38,624	–	–
1-2 years	33,405	10	3,340	27,564	10	2,756
2-3 years	25,552	30	7,666	18,818	30	5,645
3-4 years	21,910	50	10,955	24,148	50	12,074
Over 4 years	58,281	92.25	53,765	38,579	80.00	30,863
Total	152,297	–	76,383	147,733	–	51,338

(3) The top five accounts receivable as at 31 December 2018 represented 46.71% 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	294,304	–	294,304
Investments in associates	19,221	–	19,221	31,633	–	31,633
Total	313,525	–	313,525	325,937	–	325,937

(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	35,000	–	–	35,000	–	–
Total	294,304	–	–	294,304	–	–

(3) Investments in associates

		Changes in the current year									
Investee	Balance at the beginning of the 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	1,194	-	-	393	-	-	-	-	-	1,587	-
BY Times Consulting Co., Ltd	-	-	-	-	-	-	-	-	-	-	-
Beqing Transmedia co., Ltd.	-	-	-	-	-	-	-	-	-	-	-
Beijing Beiqing Top Advertising Limited	-	-	-	-	-	-	-	-	-	-	-
Hebei Jujingcai E-commerce Company Limited	-	-	-	-	-	-	-	-	-	-	-
Beijing International Advertising Media Group Co., Limited	30,439	-	-	(12,764)	(41)	-	-	-	-	17,634	-
Total	31,633	-	-	(12,371)	(41)	-	-	-	-	19,221	-

XIX. APPROVAL OF FINANCIAL REPORT

This financial report was approved by the Board of the Company on 29 March 2019.

Beijing Media Corporation Limited

29 March 2019