



HK Stock Code: 1000

2019

ANNUAL

REPORT

Beijing Media Corporation Limited

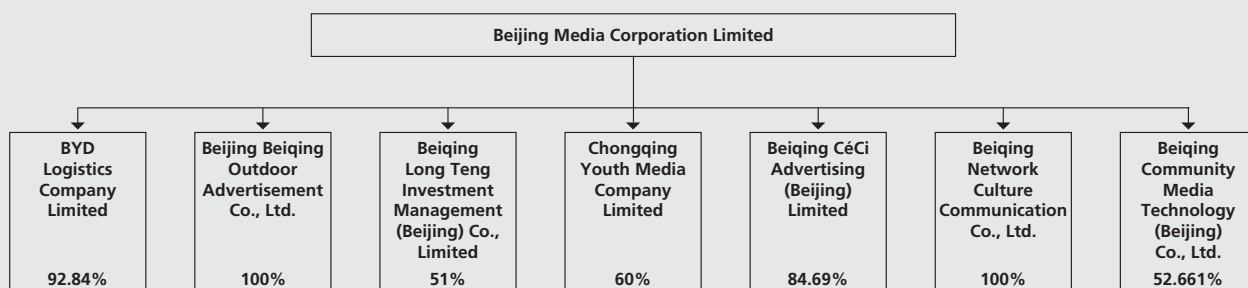
A joint stock company incorporated
in the People's Republic of China with limited liability

| | |
|---|----|
| Company Profile | 2 |
| Corporate Information | 3 |
| Chairman's Statement | 5 |
| Management Discussion and Analysis | 6 |
| Directors, Supervisors and Senior Management | 16 |
| Report of the Board of Directors | 22 |
| Corporate Governance Report | 35 |
| Report of the Supervisory Committee | 54 |
| Environmental, Social and Governance Report | 56 |
| Definitions | 61 |
| Report of the Auditor | 63 |
| Consolidated Balance Sheet | 67 |
| Consolidated Income Statement | 69 |
| Consolidated Cash Flow Statement | 71 |
| Consolidated Statement of Changes in Shareholders' Equity | 73 |
| Notes to the Financial Statements | 74 |

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 2019)



COMPANY WEBSITE

www.bjmedia.com.cn

STOCK INFORMATION

- Stock Code: 1000
- Board Lot: 500 shares
- Number of Shares Issued (as at 31 December 2019): 197,310,000 shares
- Market Capitalisation (as at 31 December 2019): HK\$246.64 million
- Financial Year End: 31 December
- Bloomberg’s Stock Machine Search Code: 1000HKEquity
- Reuters Stock Machine Search Code: 1000.HK

AS AT 31 DECEMBER 2019**EXECUTIVE DIRECTORS**

Ji Chuanpai (*Chairman*) ^{Note 1}
 Wu Bin (*Acting President*) ^{Note 2}
 Shang Da (*Vice President*)
 Liu Jia ^{Note 3}

NON-EXECUTIVE DIRECTORS

Zang Furong
 Sun Fang
 Yang Qing ^{Note 4}

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wu Tak Lung
 Cui Enqing
 Chen Ji
 Wu Changqi
 Shi Hongying ^{Note 5}

JOINT COMPANY SECRETARIES

Shang Da
 Yu Leung Fai

AUDIT COMMITTEE ^{Note 6}

Wu Tak Lung (*Chairman*)
 Wu Changqi
 Cui Enqing

REMUNERATION COMMITTEE ^{Note 7}

Cui Enqing (*Chairman*)
 Chen Ji
 Wu Changqi

NOMINATION COMMITTEE ^{Note 8}

Ji Chuanpai (*Chairman*)
 Chen Ji
 Wu Changqi

AUTHORISED REPRESENTATIVES

Ji Chuanpai
 Wu Bin ^{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

LEGAL ADVISER

as for Hong Kong Law
 DLA Piper Hong Kong
 25/F, Three Exchange Square,
 8 Connaught Place,
 Central, Hong Kong

AUDITORS

WUYIGE Certified Public Accountants LLP
 Room 1504,
 Institute International Building,
 No. 1 Zhichun Road,
 Haidian 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 first meeting of the seventh session of the Board of the Company convened on 21 June 2019, Mr. Ji Chuanpai was appointed as the chairman of the seventh session of the Board of the Company. Please refer to the announcement of the Company dated 21 June 2019 for details.
2. Upon the approval at the fourth meeting of the seventh session of the Board convened on 22 November 2019, Mr. Wu Bin, a non-executive Director of the Company, has been re-designated as an executive Director of the Company, and appointed as the acting president of the Company and the authorised representative to replace Mr. Li Xiaobing. Previously, Mr. Li Xiaobing has resigned as an executive Director, president and authorised representative of the Company on 31 October 2019. Please refer to the announcements of the Company dated 22 November 2019 and 31 October 2019 for details.
3. Upon the approval at the annual general meeting of the Company convened on 21 June 2019, Ms. Liu Jia was appointed as the executive Director of the seventh session of the Board of the Company. Please refer to the announcement of the Company dated 21 June 2019 for details.
4. Upon the approval at the annual general meeting of the Company convened on 21 June 2019, Ms. Yang Qing was appointed as the non-executive Director of the seventh session of the Board of the Company. Please refer to the announcement of the Company dated 21 June 2019 for details.
5. Upon the approval at the annual general meeting of the Company convened on 21 June 2019, Ms. Shi Hongying was appointed as the independent non-executive Director of the seventh session of the Board of the Company. Please refer to the announcement of the Company dated 21 June 2019 for details.
6. Upon the approval at the first meeting of the seventh session of the Board of the Company convened on 21 June 2019, the audit committee of the seventh session of the Board of the Company comprised Mr. Wu Tak Lung, Mr. Wu Changqi and Mr. Cui Enqing, and was chaired by Mr. Wu Tak Lung. Please refer to the announcement of the Company dated 21 June 2019 for details.
7. Upon the approval at the first meeting of the seventh session of the Board of the Company convened on 21 June 2019, the remuneration committee of the seventh session of the Board of the Company comprised Mr. Cui Enqing, Mr. Chen Ji and Mr. Wu Changqi, and was chaired by Mr. Cui Enqing. Please refer to the announcement of the Company dated 21 June 2019 for details.
8. Upon the approval at the first meeting of the seventh session of the Board of the Company convened on 21 June 2019, the nomination committee of the seventh session of the Board of the Company comprised Mr. Ji Chuanpai, Mr. Chen Ji and Mr. Wu Changqi, and was chaired by Mr. Ji Chuanpai. Please refer to the announcement of the Company dated 21 June 2019 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 2019. 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 2019, there was an increasing downward pressure in the economy. Confronted with fierce market competition, the overall operation situation remained grim, resulting in a decrease in the Company's operating income.

In 2019, the Company adopted multiple initiatives to increase its operating income. The Company advanced the marketing management model of business departments, improved operating ecology for the four business departments comprising finance, automobile, real estate and Internet, while enhancing the revenue of key industries through the integration of convergence media resources. The development of direct customer marketing was strengthened through market refinement and planning activities customized to customers to drive marketing.

In 2019, the Group continued to adjust the business segments and positioned the investee and controlling companies to optimize its top-layer design by cleaning out those investee and controlling companies with poor market prospects, those who are not tightly integrated with the Group's core businesses and those with a long-term planning inconsistent with that of the Group's.

In 2019, the Company actively conducted strict cost control. The Group optimized the operating segments for the headquarters and its subsidiaries and streamlined its staff management by reducing surplus employees and redeploying resources so as to optimize allocation of human resources. The Group also fully integrated business personnel to reduce costs.

In 2019, the Group actively improved its internal control, and perfected the institutional construction system and management regulations starting from system construction. The Group strengthened periodic auditing measures and reinforced risk management so as to build a solid operational foundation.

In 2020, affected by the outbreak of COVID-19 epidemic and various factors at home and abroad, the downward pressure on the economy has increased. The Group will deepen its management, make efforts to enhance its comprehensive competitiveness, maintain stability and growth during the crisis and strive to achieve good performance and present it to 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 2019 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

27 March 2020
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 includes 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 2019 was RMB219,927 thousand, representing a 36.18% decrease as compared with 2018 (2018: RMB344,625 thousand). Net loss attributable to shareholders of the Company for 2019 was RMB196,538 thousand (2018: RMB277,310 thousand).

The decline in financial results for 2019 are mainly due to the following reasons:

1. The influence of the overall macro situation and macroeconomic policy.
2. The influence of the swift development in new media.
3. The further decline in the Company's core operating income.

In 2020, the Group will promote the construction of a new media matrix for advertising products by improving its convergence media platform.

In 2020, the Company will open up the content and operation platform to explore new areas of business.

In 2020, the Group will further enhance its management and form effective incentive mechanism.

In 2020, affected by the COVID-19 epidemic and a variety of factors at home and abroad, the economic downward pressure has increased. The Group will strive to enhance comprehensive competitiveness, push forward and capture more market shares on the basis of improving its incentive mechanism.

Advertising Business

During 2019, revenue from the Group's advertising business was RMB96,965 thousand (RMB125,782 thousand for the corresponding period in 2018), representing a year-on-year decrease of 22.91%.

In 2019, due to market impact, the Company's advertising business operation focused on key industries striving to stabilize business, stabilize team, stabilize advertising revenue and stabilize market share of its original business. In particular, advertising revenues in tourism, sports, financial insurance and shows, etc. all increased over the same period of the preceding year.

GROUP BUSINESS REVIEW (Continued)**Advertising Business** (Continued)

In 2019, the Company further promoted the transformation of convergence media and adopted the following measures in respect of advertising business:

1. Establishing an innovative management model of business division system to promote business results in key industries

In accordance with the market demand and the overall development needs of the industry, four business divisions including finance, automobile, real estate, and Internet have been established on the basis of advancing the direct-to-customer marketing to cater for different customers and market demands of sub-sectors. In particular, the finance business division focused on two-way operation + content driving and achieved favourable operating results and the automobile business division integrated advantageous resources, effectively cooperated with acquisitions and operations and formed synergies.

2. Improving convergence media marketing platform and promoting product business and service transformation

The new media customer resources database was established and improved, and privileges, temporary welfare policies and packaging policies were launched according to the established customer grade to promote the overall sales of print media and new media and increase advertising revenue.

The operation of resources within the Group, the teams and the customers has been initially realized. Data analysis, integrated marketing planning and implementation capabilities as well as integrated convergence media marketing platform consisting of newspaper, website, APP, WeChat, Weibo, etc. were used to customize new digital marketing models for customers and expand new customer resources.

3. Strengthening team appraisal and motivation

Enhance team management starting from personnel, accountability, appraisal, rewards and punishments, with a view to giving play of team motivation: developing a reward and punishment mechanism targeted at the operating indicators of each business divisions and implementing strict appraisal; strengthening the new media training of advertising business personnel and improving their professional capabilities to adapt to the continuous upgrade of convergence media products.

Film and Television Business

In 2019, the Company gave full play to its advantages in content and built quality films and television projects by participating in early planning and development. The TV series "Setting Sail" (《启航》) presented by the Company as the lead-presenter with the theme of urban reform and development was aired through multiple platforms including CCTV-1, Heilongjiang Satellite TV and Anhui Satellite TV. The TV series was highly ranked in terms of viewership and awarded "Outstanding Commendatory TV Series" by China Television Drama Production Industry Association and gained good social benefits. Meanwhile, the Company optimized its copyright resources and achieved satisfactory economic benefits. The Company transferred the copyright of the TV series "The Story of Zheng Yang Gate" (《正陽門下》) to Daqianmen (Beijing) Media Co., Ltd. at the consideration of RMB2,000 thousand in January 2019. In addition to continuing its focus on key projects in the film and television market, the Company will rely on the existing large-scale live broadcast platform to explore the development of short video business models and enrich the branded content for the media culture of Beijing Media.

GROUP BUSINESS REVIEW (Continued)**Results of major subsidiaries of the Group**

Beiqing Community Media is a 52.661%-owned subsidiary of the Company. Relying on its media 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 + government services + community activities. With nearly 7 years of endeavor, it established a multi-integrated sustainable business model based on the three major business segments, namely Beiqing Community Daily, government services and community activities. Up to now, Beiqing Community Media has a total of 11 newspapers of Beiqing Community Daily across the whole urban area of Beijing, including Chaoyang, Dongcheng, Wangjing, Shunyi, Changping and Beijing Administrative Sub-centers, reaching nearly 5 million readers. At the same time, the branches of Beiqing Community Media operated a total of 32 certified WeChat public accounts, and assisted relevant government authorities in operating 36 public accounts. It operated a total of 68 public accounts.

In 2019, Beiqing Community Media continued to promote cooperation in government service and social organizations procurement, and undertook new media operating projects. Beiqing Community Media provided the government with a variety of offline activities and media publicity services, while helping build information communication platforms and service platforms for governmental services, based on its experience accumulated over the years in operation in the community as well as a large number of subscribers in the WeChat public accounts, headlines accounts, and self-operated media accounts of major portal news APPs. Beiqing Community Media undertook the cooperation with the government departments and social organizations to publish newspapers, establishing a total of 5 magazines, including "Shichahai Culture Monthly" (《什刹海文化月刊》), "《Beixinqiao Scenery》" (《北新橋風景》), "Sui Yuan" (《隨園》), "Ju Kuan" (《聚寬》) and "News" (《建聞》). In addition, it was commissioned to organize various government and social organization events, including the national fitness "Beijing Record" Challenging Competition (「北京記錄」挑戰賽), "The 17th International Book Festival Community Reading Session" (第十七屆國際圖書館社區閱讀分會場活動), Chinese traditional virtue education promotion activity of "Cultivating Family Motto, Spreading Virtues, and Establishing a new style" (「講家訓、傳美德、樹新風」中華傳統美德教育推廣行動), and "70th Anniversary of the Founding of the People's Republic of China "Beijing International Sculpture Park" (「建國70周年」北京國際雕塑公園遊園活動). It also continued to cooperate with the Chaoyang District Government, and was commissioned for the development of the official news APP project of Chaoyang District. It established public opinion studio through collaboration with the Network Information Office of CPC Beijing Xicheng District Committee to provide comprehensive services such as monitoring of public opinion.

In 2019, based on such key segments as real estate, automobile and household, Beiqing Community Media tapped industry resources and expanded its innovative marketing business model from traditional community newspaper advertisements to include a complete marketing solution for customers to create community newspaper advertisements + online promotion + offline activities + product distribution. The advertising effort was enhanced to expand brand influence through the seamless connection with residents through different online and offline media, while highlighting its own channel advantages. A number of brand events including "Country Garden Winter Olympics Beijing Community Campaign" (碧桂園冬奧北京社區行), "FAW Toyota Community Campaign" (一汽豐田社區行) and "Community Home Expo" (社區家博會) were held throughout the year, which not only served the residents of the community, but also met the customer's propaganda and marketing needs, and achieved a win-win situation for both corporate reputation and business.

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 various investment projects to realize exits via listing, mergers and acquisitions and restructuring, backdoor listing and NEEQ market transfer, etc. Among the companies the Fund invested in, three companies were listed successfully in 2019. 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. Xi'an Bright Laser Forming Technologies Co., Ltd. (present name: the Xi'an Bright Laser Technologies Co., Ltd.) (stock code: 688333) was listed on the Science and Technology Innovation Board of Shanghai Stock Exchange on 22 July 2019. In addition, Beijing TINAVI Medical Technology Co., Ltd. had applied for listing on the Science and Technology Innovation Board of Shanghai Stock Exchange on 7 August 2019 and has entered the inquiry stage. It is expected to be listed in 2020.

GROUP BUSINESS REVIEW *(Continued)***Results of major subsidiaries of the Group** *(Continued)*

Chongqing Media is a 60%-owned subsidiary of the Company. In 2019, Chongqing Media focused on brand building, extensively promoted the transformation of new media and successfully obtained the license for Internet news information service, which built a communication system integrating newspapers, WeChat, Weibo, APP and other platforms. By integrating WeChat, Weibo and Chongqing Headlines (重慶頭條) APP as well as the media resources of third-party platforms, Chongqing Media reached in-depth cooperation with customers in terms of advertisement and interactive technology development, realizing double benefits in advertisement and technology development. On the one hand, Chongqing Media insisted on in-depth and high-quality news reports and facilitated public welfare publicity to display the city image and youth style, which achieved positive communication effect. In particular, it planned a large topic-specific coverage on “70 years of Loyalty to Serve the Country” (精忠報國70年) and published 70 original articles, with a total viewership of more than 10 million; the views of the short video reflecting youth style “Yaobudaotai” (《吆不倒台》) reached over 6 million; and it published more than 300 topic-specific coverage on high-end and significant competitions and events, such as the national “Two Sessions”, with a total views of over 5 million. On the other hand, Chongqing Media innovated R&D products and actively expanded its media influence. Chongqing Headlines (重慶頭條) APP has been upgraded to the more complete version 2.1.4, with a good user experience and more than 1 million downloads. The self-developed city affairs City APP organically combines sports and welfare, and adjusts the product in time to interact with fans to enhance fans experience, attracting more than 150,000 people to participate in the event. Chongqing.com and Chongqing Headlines (重慶頭條) APP simultaneously launched a special project of “Internet Information Law Popularization Website” (網信普法進網站), with a total views of more than 5 million. The key development project “Chongqing Youth Daily Online Law Popularization Game” (重慶青年報網信普法小遊戲) has 240,000 participants and nearly 600,000 views. The combined total views for the multi-matrix and multi-accounts of Chongqing Media, such as Today Headlines Account (今日頭條號), the Qi'E Account (企鵝號) and the Qutoutiao Account (趣頭條號) has reached more than 100 million in half year. As a next step, Chongqing Media will focus on the exploration of applications for news in the 5G field, expecting to reduce the loss through various efforts.

BYD Logistics is a 92.84%-owned subsidiary of the Company and is principally engaged in printing and trading business of printing-related materials. In 2019, BYD Logistics's revenue from sales declined due to the effect of the industry environment, the shrinking printing market, and the decline in paper market demand. In the case of discontinued production of advantageous paper suppliers, BYD Logistics actively sought alternative products, obtained agency rights for similar imported paper, and developed new product cooperation channels, which effectively made up for the shortage of similar paper, seized market opportunities. Sales of alternative products surpassed the sales of such paper products in the same period in 2018. BYD Logistics will actively stock up in order to increase revenue after the stabilization of market price of paper.

Beiqing Outdoor is a wholly-owned subsidiary of the Company which principally engages in the operation of urban outdoor single column billboards. In 2019, in face of the shrinking traditional advertising business and the expiration of the operation rights of previously operated single column billboards, Beiqing Outdoor continued to establish a good agency relationship with the cooperating parties, with an aim to increase source of revenue without increasing costs, and to seek new business opportunities.

Based on the operating environment and operating conditions of Qingyou Information, Qingyou Information completed the cancellation on 28 August 2019 to achieve the strategic plan of “highlighting the main business and streamlining the organization” of the Company. Qingyou Information was formerly a wholly-owned subsidiary of the Company with a registered capital of RMB30,000 thousand. After the cancellation, the cash of RMB27,556 thousand inflowed back to the Company, and the employees of Qingyou Information have been properly arranged.

GROUP BUSINESS REVIEW *(Continued)***Prospects and Future Plans**

In 2020, the Group will continue to adopt cost control measures in all dimensions.

In 2020, the Group will continue to optimize its industrial and product structure, enrich product portfolio, and integrate resources to increase efficiency.

In 2020, the Group will continue to strengthen its operations and management, improve its operational quality, and enhance its competitiveness.

In 2020, the Group will continuously improve internal control, strengthen system construction and risk management.

In 2020, the Group will conduct capital operations where appropriate.

In 2020, with the existing businesses still as the core, the Group will actively expand into new businesses, cultivate new profit growth point, and persistently consolidate and leverage 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 2019 was RMB219,927 thousand (2018: RMB344,625 thousand), representing a decrease of 36.18% as compared with 2018, of which, revenue from advertising sales was RMB96,965 thousand (2018: RMB125,782 thousand), representing a decrease of 22.91% as compared with 2018; revenue from printing was RMB3,457 thousand (2018: RMB6,832 thousand), representing a decrease of 49.40% as compared with 2018; and revenue from trading of print-related materials was RMB102,620 thousand (2018: RMB188,434 thousand), representing a decrease of 45.54% as compared with 2018.

2. Operating Cost and Sales Tax and Surcharges

Operating cost of the Group for 2019 was RMB212,548 thousand (2018: RMB325,681 thousand), representing a decrease of 34.74% as compared with 2018, of which, cost of advertising sales was RMB98,635 thousand (2018: RMB123,457 thousand), representing a decrease of 20.11% as compared with 2018; cost of printing was RMB3,221 thousand (2018: RMB5,509 thousand), representing a decrease of 41.53% as compared with 2018; and cost of trading of print-related materials was RMB100,112 thousand (2018: RMB177,394 thousand), representing a decrease of 43.57% as compared with 2018. Tax and surcharges were RMB5,375 thousand (2018: RMB6,125 thousand), representing a decrease of 12.24% as compared with 2018.

3. Gross Profit

Gross profit of the Group for 2019 was RMB7,379 thousand (2018: RMB18,944 thousand), representing a decrease of 61.05% as compared with 2018; gross profit margin of the Group for 2019 was 3.36% (2018: 5.50%).

4. Selling Expenses

Selling Expenses of the Group for 2019 was RMB19,269 thousand (2018: RMB22,325 thousand), representing a decrease of 13.69% as compared with 2018.



FINANCIAL POSITION AND OPERATIONAL RESULTS (Continued)

5. Administrative Expenses

Administrative expenses of the Group for 2019 was RMB34,328 thousand (2018: RMB46,145 thousand), representing a decrease of 25.61% as compared with 2018.

6. Financial Expenses

Financial expenses of the Group for 2019 was RMB-8,052 thousand (2018: RMB-1,308 thousand), representing an increase of 515.60% in absolute value as compared with 2018, of which, interest income was RMB8,560 thousand (2018: RMB2,093 thousand), representing an increase of 308.98% as compared with 2018; and foreign exchange loss was Nil (foreign exchange loss for 2018: RMB1 thousand).

7. Share of Loss of Associates

Share of loss of associates of the Group for 2019 was RMB2,355 thousand (2018: loss of RMB12,415 thousand), representing a decrease of loss of 81.03% as compared with 2018.

8. Operating Profit

Operating profit of the Group for 2019 was RMB-198,990 thousand (2018: RMB-288,562 thousand), representing a decrease of loss of 31.04% as compared with 2018.

9. Income Tax Expenses

Income tax expenses of the Group for 2019 was RMB16,056 thousand (2018: RMB1,575 thousand), representing an increase of RMB14,481 thousand or 919.43% as compared with 2018. According to the requirements of 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), enterprises which completed the transformation prior to 31 December 2018 can 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 2019 was RMB214,511 thousand (2018: net loss of RMB292,213 thousand), of which, net loss attributable to shareholders of the Company was RMB196,538 thousand (2018: RMB277,310 thousand).



FINANCIAL POSITION AND OPERATIONAL RESULTS (Continued)

11. Final Dividend

The Board did not propose a final dividend for the year 2019 (2018: Nil).

12. Net Current Assets

As at 31 December 2019, net current assets of the Group was RMB360,581 thousand (31 December 2018: RMB500,947 thousand). Current assets mainly comprised bank balances and cash of RMB217,264 thousand (31 December 2018: RMB199,925 thousand), notes receivable was Nil (31 December 2018: RMB7,908 thousand), accounts receivable of RMB172,598 thousand (31 December 2018: RMB254,059 thousand), prepayments of RMB9,375 thousand (31 December 2018: RMB18,528 thousand), other receivables of RMB6,086 thousand (31 December 2018: RMB99,649 thousand), inventories of RMB12,181 thousand (31 December 2018: RMB21,087 thousand), and other current assets of RMB35,212 thousand (31 December 2018: RMB32,322 thousand). Current liabilities mainly comprised notes payable of RMB5,669 thousand (31 December 2018: RMB9,581 thousand), and accounts payable of RMB10,306 thousand (31 December 2018: RMB14,309 thousand), contracted liabilities of RMB27,405 thousand (31 December 2018: 47,617 thousand), employee benefit payables of RMB7,689 thousand (31 December 2018: RMB7,726 thousand), tax payables of RMB382 thousand (31 December 2018: RMB2,233 thousand), other payables of RMB40,445 thousand (31 December 2018: RMB51,065 thousand), non current liabilities due within one year of RMB239 thousand (31 December 2018: Nil).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2019, current assets of the Group was RMB452,716 thousand (31 December 2018: RMB633,478 thousand), including bank balances and cash of RMB217,264 thousand (31 December 2018: RMB199,925 thousand) and non-current assets of the Group was RMB442,729 thousand (31 December 2018: RMB525,808 thousand).

As at 31 December 2019, current liabilities of the Group was RMB92,135 thousand (31 December 2018: RMB132,531 thousand) and non-current liabilities was RMB8,313 thousand (31 December 2018: RMB16,163 thousand).

As at 31 December 2019, shareholders' equity of the Group was RMB794,997 thousand (31 December 2018: RMB1,010,592 thousand).

GEARING RATIO

As at 31 December 2019, gearing ratio of the Group was 12.64% (31 December 2018: 14.71%) (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 2019, bank loans of the Group was Nil (31 December 2018: RMB6,927 thousand). The currency unit of cash and cash equivalent held by the Group was Renminbi.

FINANCING COST

Financing cost of the Group for 2019 was RMB444 thousand (2018: RMB706 thousand).

FIVE-YEAR RESULTS HIGHLIGHTS

| | For the year ended 31 December | | | | |
|--|--------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2019 RMB'000 | 2018 RMB'000 | 2017 RMB'000 | 2016 RMB'000 | 2015 RMB'000 |
| Total operating income | 219,927 | 344,625 | 426,708 | 483,306 | 509,257 |
| Net profit | (214,511) | (292,213) | (99,577) | (70,874) | (54,478) |
| Net profit attributable to Shareholders of the Company | (196,538) | (277,310) | (85,251) | (58,838) | (45,372) |
| Earnings per share — basic and diluted (RMB) | (0.99) | (1.39) | (0.43) | (0.30) | (0.23) |

| | As at 31 December | | | | |
|--|-------------------|-----------------|-----------------|-----------------|-----------------|
| | 2019 RMB'000 | 2018 RMB'000 | 2017 RMB'000 | 2016 RMB'000 | 2015 RMB'000 |
| Total assets | 895,445 | 1,159,286 | 1,395,384 | 1,500,835 | 1,554,421 |
| Total liabilities | 100,448 | 148,694 | 194,810 | 240,586 | 231,776 |
| Total equity attributable to Shareholders of the Company | 768,760 | 966,545 | 1,140,864 | 1,214,959 | 1,265,345 |
| Shareholders' equity per share as at the end of the year (RMB) | 3.90 | 4.90 | 5.78 | 6.16 | 6.41 |

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 2019)

| | Number of shares | Proportion to total share capital (%) |
|---|---------------------|--|
| Holders of domestic shares | | |
| — BYDA | 124,839,974 | 63.27 |
| — Beijing Chengshang Cultural Communication Co., Ltd. | 7,367,000 | 3.73 |
| — China Telecommunication Broadcast Satellite Co., Ltd. | 4,263,117 | 2.16 |
| — Beijing Development Area Ltd. | 2,986,109 | 1.52 |
| — Sino Television Co., Ltd. | 2,952,800 | 1.50 |
| Domestic Shares (<i>subtotal</i>) | 142,409,000 | 72.18 |
| H Shares ^{Note} | 54,901,000 | 27.82 |
| Total share capital | 197,310,000 | 100.00 |

Note:

Including 19,533,000 outstanding H Shares held by 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 2019 was RMB3,020 thousand (2018: RMB2,418 thousand). Capital expenditures of the Group for 2019 was mainly comprised of the expenditures consistent with business strategies.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 31 December 2019, 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.

During the Reporting Period, the Group had no material acquisition or disposal of subsidiaries, joint ventures and associates.

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 environmental 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, REGULATIONS AND CORPORATE GOVERNANCE CODE

During the period between September 2018 and March 2019, the Group provided thirteen borrowings to the Parent Group with a total borrowing of RMB333,200 thousand. Prior approvals of the Board and independent Shareholders have not been obtained for such borrowings. As of 22 April 2019, the outstanding principal owed by the Parent Group was RMB113,200 thousand, and all accrued interest were unpaid. During the period between January 2018 to March 2019, the Group provided seven borrowings to Beiqing Top with a total borrowing of RMB220,000 thousand. Prior approvals of the Board and Shareholders have not been obtained for such borrowings (if applicable). As of 22 April 2019, the outstanding principal owed by Beiqing Top was RMB65,000 thousand, and all accrued interest were unpaid. On 22 April 2019, the Company has signed borrowing ratification agreements with the Parent and Beiqing Top respectively to ratify the thirteen borrowings previously provided by the Group to the Parent Group and the seven borrowings previously provided by the Group to the Beiqing Top, and reached a repayment arrangement on the interest rates and maturity of the borrowings, sources of funds and security for the repayment related to the outstanding principal and interest. As of 24 June 2019, the Parent Group and Beiqing Top have repaid all principal and accrued interest and the above-mentioned borrowing ratification agreements were fully performed. For details, please refer to the announcements of the Company dated 22 April 2019 and 24 June 2019.

Save as disclosed above, during the Reporting Period, the Company has been in compliance with the laws and regulations which would have a material impact on the Group and the code provisions set out in the Corporate Governance Code under Appendix 14 to the Listing Rules.

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 2019**EXECUTIVE DIRECTORS**

Mr. Ji Chuanpai, aged 52, is the chairman of the Board and an executive Director of the Company 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 of the 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. Wu Bin, aged 52, is an executive Director and acting president of the Company and currently the vice president and the member of the Disciplinary Inspection Commission of BYDA. Mr. Wu graduated from Beijing Institute of Education majoring in geography in 1991, and from Adult Education College of Party School of Beijing Municipal Committee of Communist Party of China majoring in administrative management in 1999. Mr. Wu graduated from the Master of Business Administration (MBA) program in Asia International Open University (Macau) in April 2003. Mr. Wu successively served in various positions in China Communist Youth League Beijing Committee from April 1993 to January 2004, including staff member, deputy principal staff member, principal staff member and deputy director. Mr. Wu joined BYDA in January 2004, and had successively served in various positions, including deputy director, director and vice president. Mr. Wu has over 15 years of experience in media business. Mr. Wu was appointed as a non-executive Director of the Company on 30 June 2017 and an executive Director and acting president on 22 November 2019.

Mr. Shang Da, aged 58, is an executive Director, the vice president, the joint company secretary and the secretary to the Board of the Company. 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 and was appointed as the vice president of the Company on 13 December 2011 and joint company secretary on 19 March 2012, and he 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.

Ms. Liu Jia, aged 37, is an executive Director and the director of the Board office of the Company. Ms. Liu obtained a bachelor's degree in Management with a major in Information Management and Information System from Central University of Finance and Economics in 2005. Ms. Liu joined BYDA in July 2005 and served for integrated management, remuneration management, training supervision and performance management of the human resources department of BYDA. Ms. Liu joined the Company in July 2013 and has served as the assistant to secretary of the Board, deputy director and director of the Board office. Ms. Liu has also served as the director of Beijing International Advertising Media Group Limited since 28 December 2016. Ms. Liu was appointed as a Director on 21 June 2019.

NON-EXECUTIVE DIRECTORS

Ms. Zang Furong (臧福榮) (formerly named as Zang Furong (臧福榮)), aged 60, is a non-executive Director of the Company and currently a member of the Party Committee, chairman of the labour union, and director of inspection office in BYDA. Ms. Zang graduated from Beijing Fengtai Normal College 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 Communist Party of China 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 26 years of experience in media business. Ms. Zang was appointed as a Director on 30 June 2017.

Mr. Sun Fang, aged 47, is a non-executive Director of the Company. 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 January 2016 to August 2019 and chairman of China B-TO-B Holdings Ltd. from April 2017. Mr. Sun was appointed as a Director on 28 June 2018.

Ms. Yang Qing, aged 37, is a non-executive Director of the Company. Ms. Yang obtained a bachelor's degree in English literature from Beijing Normal University (北京師範大學) and a Master's degree of Business Administration from Peking University in 2005 and 2013 respectively, and graduated from Law school of Fordham University in January 2015 with a degree of master of laws of banking and financial company laws. Ms. Yang holds the Legal Professional Qualification Certificate (中國法律職業資格證). Ms. Yang served as the legal counsel of ConocoPhillips China Inc. (康菲石油中國有限公司) from June 2006 to December 2013. During May 2016 to October 2017, Ms. Yang served as the senior legal manager of Legend Holdings Corporation. Ms. Yang has served as chairman of the supervisory committee, general manager of the investment and financing department of Le Shi Internet Information & Technology (Beijing) Limited from October 2017 to October 2019. Ms. Yang was appointed as a Director on 21 June 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Tak Lung, aged 54, is an independent non-executive Director of the Company. 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 of business administration in accounting by the Hong Kong Baptist University and the master's degree in business administration (MBA) 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), Henan Jinma Energy Company Limited (06885.HK) and Zhongguancun Science-Tech Leasing Co., Ltd. (01601.HK), which are listed on the Hong Kong Stock Exchange. During the last three years, Mr. Wu Tak Lung once served as the independent non-executive director of First Tractor Company Limited (0038.HK) (601038.SH), a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, SinoTrans Shipping Limited (delisted in January 2019, previous stock code: 00368.HK) and Huarong Investment Stock Corporation Limited (02277.HK), whose shares are or were listed on the Hong Kong Stock Exchange, and Olympic Circuit Technology Co., Ltd. (603920.SH), a company listed on the Shanghai Stock Exchange. Mr. Wu Tak Lung was appointed as a Director on 15 May 2013.

Mr. Cui Enqing, aged 76, is an independent non-executive Director and a senior economist of the Company. 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 Beijing Municipal Committee of the Communist Party of China with a junior 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.

Mr. Chen Ji, aged 68, is an independent non-executive Director of the Company. 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 (from July 1997 to June 2000) and executive director (from July 1997 to June 2000, from June 2005 to 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Wu Changqi, aged 65, is an independent non-executive Director of the Company. Mr. Wu Changqi is currently serving as the dean of the School of Management of Shandong University, 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 an independent non-executive Director from August 2004 to May 2013, and was re-appointed as a Director on 30 June 2016.

Ms. Shi Hongying, aged 48, is an independent non-executive Director of the Company obtained a bachelor degree majoring in Law and a master degree majoring in Law Education from the Capital Normal University in July 1995 and July 2004 respectively and obtained the National Lawyer Qualification Certificate in 1998. Since July 1995, Ms. Shi has successively served in the Communist Youth League Committee, Office of the Communist Party Committee and the Publicity Department of the Communist Party Committee of the Capital Normal University. She was transferred to the teaching position from January 2007 and now serves as an associate professor of the Capital Normal University. Ms. Shi served as a people's juror in the People's Court of Haidian District, part-time lawyer in Beijing Zhenghai Law Firm (北京市正海律師事務所) and Beijing Yingdao Law Firm (北京市英島律師事務所) and currently works as part-time lawyer in Beijing Yinghong Law Firm (北京英弘律師事務所). Ms. Shi also currently works as director of the Professional Committee for Prevention and Defense of Work-Related Crime and deputy director of the Rights and Interest Safeguarding Committee to Beijing Lawyers Association, member of the Criminal Matters Committee and Right Protection Center to All China Lawyers Association, managing director of the Legal Literature Research Institution and special-term researcher of the Law Studies Research Institution to China Law Society, and member of the Experts Group of Litigation Service Center of the Supreme People's Court of PRC and other social positions. Ms. Shi was appointed as a Director on 21 June 2019.

SUPERVISORS

Mr. Zhang Zhibing, aged 45, is the chairman of the supervisory committee of the Company and 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 including 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 19 years of experience in media business. Mr. Zhang was appointed as a Supervisor on 30 June 2017.

Mr. Zhang Chuanshui, aged 69, is a supervisor of the Company 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, aged 45, is a supervisor of the Company and currently the manager of the securities affairs department 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. From June 2017 to June 2019, Mr. Zhao has served as the manager of the department of listing of China Satellite Communications Co., Ltd. Since July 2019, Mr. Zhao has served as the manager of the securities affairs department of China Satellite Communications Co., Ltd. Mr. Zhao was appointed as a Supervisor on 15 May 2013.

Ms. Yan Mengmeng (formerly named as Liu Yan), aged 56, is a supervisor 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. From May 2001 to December 2019, Ms. Yan was transferred from BYDA to the Company as the head of laser phototypesetting centre. Ms. Yan was appointed as a Supervisor on 7 June 2010.

Ms. Zhang Bo, aged 40, is a supervisor of the Company. Ms. Zhang graduated in 2005 from the Department of Sociology of Peking University with a master's degree. Joining BYDA 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 BYDA. From December 2015 to September 2019, Ms. Zhang was transferred from BYDA to the Company 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, from April 2017 to September 2019. Ms. Zhang was appointed as a Supervisor on 5 December 2017.

SENIOR MANAGEMENT

Mr. Wu Bin, is the acting president of the Company. For details of the biographical information of Mr. Wu, please refer to the profile of executive Director.

Mr. Du Min, aged 52, 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.

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 2019.

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 HKD2.52 and HKD1.10 respectively for the year ended 31 December 2019. On 31 December 2019 (the last trading day in 2019), the transaction volume was 0 share and the closing price was HKD1.25 per share.

ACCOUNTS

Financial position of the Group as at 31 December 2019 are set out on pages 67 to 68 of the consolidated balance sheet.

Results of the Group for the year ended 31 December 2019 are set out on pages 69 to 70 of the consolidated income statement.

Cash flows of the Group for the year ended 31 December 2019 are set out on pages 71 to 72 of consolidated cash flow statement.

Changes in equity of the Group for the year ended 31 December 2019 are set out on page 73 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 Company has formulated a set of dividend policies to provide shareholders with stable dividends, which set out the principles and guidelines for declaring, paying or distributing the Company's profits to shareholders as dividends. In accordance with the Company Law and the Articles of Association, all shareholders are entitled to equal dividends and distribution rights. The Company's payment of dividends is determined by the Board at its discretion after considering the following factors, including the Company's financial position, and subject to the approval from shareholders:

- a. The Company's actual financial performance and expected financial performance;
- b. The Group's debt-to-equity ratio, return on share capital and financial contractual commitments;
- c. Undistributed profits and distributable reserves of the Company and each member of the Group;
- d. The Group's demand for expected working capital and its future strategic plans;
- e. Tax considerations;
- f. Possible impact on the Company's reputation;

DIVIDEND *(Continued)*

- g. Legal and regulatory restrictions; and
- h. Any other factors that the Board may consider relevant.

The Board did not propose a final dividend for the year ended 31 December 2019.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2019, the total purchase by the Group from its five largest suppliers was RMB59,840 thousand (2018: RMB131,404 thousand), accounting for 28.15% of its total purchase for the year of 2019 (2018: 40.35%); and the purchase from the largest supplier was RMB20,723 thousand (2018: RMB41,227 thousand), accounting for 9.75% of its total purchase for the year of 2019 (2018: 12.66%).

During the Reporting Period, the total sales by the Group to its five largest customers was RMB64,955 thousand (2018: RMB108,912 thousand), accounting for 29.53% of its total sales for the year of 2019 (2018: 31.60%); and the amount of sales to the largest customer was RMB20,937 thousand (2018: RMB42,208 thousand), accounting for 9.52% of its total sales for the year of 2019 (2018: 12.25%).

During the Reporting Period, the amount of purchase by the Group from BYDA, the controlling shareholder of the Group, was RMB13,868 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 2019, the subsidiaries of the Company include BYD Logistics, Beiqing Long Teng, Beiqing CéCi, Beiqing Network Culture, Beiqing Community Media, Beiqing Outdoor, Chongqing Media and CHONGQING YOUTH (AMERICA) LLC.

As at 31 December 2019, the associates of the Company include Beiqing Top, Beijing Leisure Trend Advertising Company Limited, Beijing Beiqing Shengda Automobile Service Company Limited, Beijing Beisheng United Insurance Agency Co., Ltd., BY Time Consulting Co., Ltd., Hebei Jujingcai E-commerce Company Limited, 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 73 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.11 and VIII.12 to the financial statements in this annual report, respectively.

SHARE CAPITAL, SHARE CAPITAL STRUCTURE AND NUMBER OF SHAREHOLDERS

As at 31 December 2019, 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% | 310 |
| Total | 197,310,000 | 100% | 315 |

* The above mentioned percentage figures are based on the records in the Company's register of members as at 31 December 2019.

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 2019, 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 Domestic shares held | Percentage of H shares/ Domestic shares over total issued H shares/ Domestic shares respectively | Percentage in 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 |
| 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 3} | 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 4} | 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 Shengxian 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 Shengxian, Sun Yuexian, 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.
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% equity interest in 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 2019, 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 2019, 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 2019 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 of 2019 or at any time during the Reporting Period.

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.46 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 2019, 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 21 June 2019, Mr. Liu Hong retired as Director of the Company due to the expiry of the sixth session of the Board. Mr. Chow Bing Chuen tendered his written resignation to the Board on 12 December 2018 and his resignation took effect on 21 June 2019. Please refer to the announcements of the Company dated 12 December 2018 and 29 March 2019 and the circular dated 30 April 2019.

Upon approval at the annual general meeting of the Company convened on 21 June 2019, Ms. Liu Jia was appointed as the executive Director of the seventh session of the Board of the Company, Mr. Peng Liang and Ms. Yang Qing were appointed as the non-executive Directors of the seventh session of the Board of the Company, and Ms. Shi Hongying was appointed as the independent non-executive Director of the seventh session of the Board of the Company. Please refer to the announcement of the Company dated 21 June 2019 for details.

On 24 October 2019, Ms. Yang Wenjian resigned from the positions as the executive Director and executive vice president of the Company due to adjustment of work. Please refer to the announcement of the Company dated 24 October 2019 for details.

On 31 October 2019, Mr. Li Xiaobing resigned from the positions as an executive Director, president and authorised representative of the Company for personal reasons. Please refer to the announcement of the Company dated 31 October 2019 for details.

On 18 November 2019, Mr. Peng Liang resigned from the position as a non-executive Director of the Company due to adjustment of work. Please refer to the announcement of the Company dated 18 November 2019 for details.

Upon the approval at the fourth meeting of the seventh session of the Board convened on 22 November 2019, Mr. Wu Bin, a non-executive Director of the Company, has been re-designated as an executive director of the Company, and appointed as the acting president of the Company and the authorised representative to replace Mr. Li Xiaobing. Please refer to the announcement of the Company dated 22 November 2019 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 an Audit Committee to review, supervise and adjust the financial reporting process and internal control of the Group in accordance with the requirements of the Listing Rules. 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 2019 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 2019, the bank borrowings of the Group was Nil.

CONNECTED TRANSACTIONS

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

Transactions – Non-exempt Connected Transactions

1. Non-competition Agreement

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

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

2. Mutual Property Tenancy Agreement

The Company renewed the mutual property tenancy agreement with the Parent on 12 November 2018 for a term of three years from 1 January 2019 to 31 December 2021. 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 whole of 5th floor, the floor area of 622.5 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 2,962.5 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 RMB6,812,268.75 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 remains the same rental as payable during the period of the three years ending 31 December 2021. The annual rental of RMB6,000,000 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 remains the same rental as payable during the period of the three years ending 31 December 2021. 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.

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 RMB6,812,268.75, while the actual rental received by the Company from the Parent was RMB6,249,787.84. The annual cap for rental payable by the Company to the Parent was RMB6,000,000, while the actual rental paid by the Company to the Parent was RMB1,750,995.41.

CONNECTED TRANSACTIONS (Continued)**Transactions – Non-exempt Connected Transactions** (Continued)**3. Advertising Agency Framework Agreement**

The Company and the Parent 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. 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. 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.

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 RMB5,000,000 and the actual amount paid was RMB712,337.74. The annual cap of advertising fee payable by the Group to the Parent Group was RMB16,000,000 and the actual amount paid was RMB12,624,453.35.

CONNECTED TRANSACTIONS (Continued)**Transactions – Non-exempt Connected Transactions** (Continued)**4. 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 12 November 2018, the Company renewed the annual caps of the transactions for the three years ending 31 December 2021. The details are set out in the announcement dated 12 November 2018 published on the websites of the Hong Kong Stock Exchange and the Company.

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

During the Reporting Period, the annual cap for fees payable by the Company to the Parent was RMB13,500,000, and the actual fees paid were RMB5,316,888.19.

5. Printing Framework Agreement

BYD Logistics and the Parent renewed the printing framework agreement on 12 November 2018 for a term of three years with effect from 1 January 2019 to 31 December 2021. 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 shall be not less than 13%, 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. 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)***Transactions – Non-exempt Connected Transactions** *(Continued)***5. Printing Framework Agreement** *(Continued)*

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

During the Reporting Period, the annual cap for fees payable by the Parent to BYD Logistics was RMB13,000,000 and the actual fees paid were RMB1,691,331.45.

6. Ratification of Previous Connected Transactions

During the period between September 2018 and March 2019, the Group provided thirteen borrowings to the Parent Group with a total borrowing of RMB333,200 thousand. Prior approvals of the Board and independent Shareholders have not been obtained for such borrowings. As of 22 April 2019, the outstanding principal owed by the Parent Group was RMB113,200 thousand, and all accrued interest were unpaid. On 22 April 2019, the Company has signed borrowing ratification agreements with the Parent to ratify the thirteen borrowings previously provided by the Group to the Parent Group, and reached a repayment arrangement on the interest rates and maturity of the borrowings, sources of funds and security for the repayment related to the outstanding principal and interest. As of 24 June 2019, the Parent Group has repaid all principal and accrued interest and the above-mentioned borrowing ratification agreements were fully performed. For details, please refer to the announcements of the Company dated 22 April 2019 and 24 June 2019.

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 2019 have followed the pricing principles of such continuing connected transactions.

The Directors (including the independent non-executive Directors) have confirmed to the Board that, after reviewing item 2 to item 6 in the above continuing connected transactions, that these transactions were (to avoid the doubts, it is for the terms of the borrowing ratification agreements) 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.

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

Save as disclosed above, there is no related party transaction or continuing related party transaction included in note XII to the financial statements that constitutes a disclosable connected transaction or continuing connected transaction under the Listing Rules. Save as disclosed in item 6 of the above-mentioned continuing connected transactions, 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.

MATERIAL LITIGATION

In March 2019, the Company filed a lawsuit against Beijing Transmedia Co., Ltd. (hereinafter referred to as “BQTM”), its chairman Yang Jie and Centrin Data Systems Ltd. at the No. 3 Intermediate People’s Court of Beijing Municipality in relation to the outstanding advertising operation right contracting fees, management fees and accrued interests. On 30 April 2019, No. 3 Intermediate People’s Court of Beijing Municipality accepted the lawsuit. The Company subsequently filed an additional claim for the payment of liquidated damages. The Company has now received the judgment results from the No. 3 Intermediate People’s Court of Beijing Municipality: BQTM shall pay the Company the advertising fees, management fees, deposits, electricity fees, attorney fees and accrued interests as of 25 March 2017 of RMB107,079,332.74 in total within ten days after the judgment takes effect; BQTM shall pay the Company the liquidated damage for late payment calculated based on RMB97,603,884.77 and the loan interest rate of the People’s Bank of China in the corresponding period and accrued from 26 March 2017 to the date of actual payment within ten days after the judgment takes effect; other claims of the Company were rejected. In case that the obligation for payment is not fulfilled within the period specified in the judgment, the defendant shall pay double interest on the debt for the period of delay in performance. The case acceptance fee shall be borne by BQTM. Please refer to the announcements of the Company dated 30 April 2019 and 25 November 2019 for details. BQTM has appealed the above case and the trial is pending.

In January 2019, the Company filed a lawsuit against Beijing Trans-media Co., Ltd. (hereinafter referred to as “Trans-media”) and Beijing Jihe Advertising Co., Ltd. at Beijing Dongcheng District People’s Court in relation to the delinquent consideration for the equity transfer. On 1 February 2019, Beijing Dongcheng District People’s Court accepted the lawsuit. Please refer to the announcement of the Company dated 1 February 2019 for details. On 4 June 2019, Beijing Dongcheng District People’s Court ruled that the case shall be transferred to Beijing Chaoyang District People’s Court. On 23 October 2019, Beijing Dongcheng District People’s Court held that the parties shall apply for arbitration instead, and therefore rejected the lawsuit of the Company.

Save as disclosed above, to the knowledge of the Board, as at 31 December 2019, the Company was not involved in any material litigation or arbitration and there was no material pending legal action or claim or potential legal action or claim that poses threat to the Company.

OTHER LAWSUIT

On 27 June and 1 July 2019, Shanghai Xingjing Investment Centre Co., Ltd.* (上海星京投資管理中心(有限公司)) (“Shanghai Xingjing”) and Teyin Nantong Equity Fund Management Centre (Limited Partnership)* (特銀南通股權投資基金管理中心(有限合夥)) (“Teyin Nantong”), the shareholders of Beijing Community Media, brought a lawsuit concerning a dispute over the transfer of shares against the Company, Beijing Beijing Community Culture Media Investment Centre Limited Partnership* (北京北青社區文化傳媒投資中心(有限合夥)) and Beijing Community Media (collectively, referred as “defendants”) respectively, and required the defendants to pay jointly to Shanghai Xingjing of RMB45,000 thousand and Teyin Nantong of RMB15,000 thousand to acquire the entire equity interest of Beijing Community Media held by Shanghai Xingjing and Teyin Nantong. The Company initially evaluates that the case lacks sufficient justification and will actively defend the above claims or seek other legal ways to resolve the contract disputes related to the case. At present, the case is pending.

* for identification purpose

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 16% of the employees' basic salaries for the year ended 31 December 2019 (2018: 19%), which is subject to certain caps 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 2019, the Group had a total of 327 staff members (31 December 2018: 343). The decrease in the number of the staff as compared with 2018 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 RMB54,417 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 2019, 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 21 June 2019 that WUYIGE Certified Public Accountants LLP was re-appointed as the auditor of the Company for the year 2019, 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 2019 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

27 March 2020

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 under Appendix 14 to the Listing Rules.

2. CORPORATE GOVERNANCE CODE

During the Reporting Period, save as disclosed in this report, the Company has been compliance with the code provisions set out in the Corporate Governance Code 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 2019:

| Name | Gender | Age | Other positions in the Company | Term of Directorship | Whether to receive remuneration from the Company |
|--|--------|-----|--------------------------------|---|--|
| Executive Directors | | | | | |
| Ji Chuanpai | M | 52 | Chairman | From 21 June 2019 to the 2021 annual general meeting of the Company | No |
| Wu Bin ^{note 1} | M | 52 | Acting president | From 21 June 2019 to the 2021 annual general meeting of the Company | No |
| Shang Da | M | 58 | Vice president | From 21 June 2019 to the 2021 annual general meeting of the Company | Yes |
| Liu Jia ^{note 2} | F | 37 | | From 21 June 2019 to the 2021 annual general meeting of the Company | Yes |
| Non-executive Directors | | | | | |
| Zang Furong | F | 60 | | From 21 June 2019 to the 2021 annual general meeting of the Company | No |
| Sun Fang | M | 47 | | From 21 June 2019 to the 2021 annual general meeting of the Company | Yes |
| Yang Qing ^{note 3} | F | 37 | | From 21 June 2019 to the 2021 annual general meeting of the Company | Yes |
| Independent Non-executive Directors | | | | | |
| Wu Tak Lung | M | 54 | | From 21 June 2019 to the 2021 annual general meeting of the Company | Yes |
| Cui Enqing | M | 76 | | From 21 June 2019 to the 2021 annual general meeting of the Company | Yes |
| Chen Ji | M | 68 | | From 21 June 2019 to the 2021 annual general meeting of the Company | Yes |
| Wu Changqi | M | 65 | | From 21 June 2019 to the 2021 annual general meeting of the Company | Yes |
| Shi Hongying ^{note 4} | F | 48 | | From 21 June 2019 to the 2021 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 fourth meeting of the seventh session of the Board held on 22 November 2019, Mr. Wu Bin, a non-executive Director of the Company, was re-designated as an executive Director of the Company, and was appointed as the acting president of the Company, and the authorised representative of the Company in replacement of Mr. Li Xiaobing, who has previously resigned from the positions as the executive Director, president and authorised representative of the Company on 31 October 2019. For details, please refer to the announcements of the Company dated 22 November 2019 and 31 October 2019.
2. Upon the approval at the annual general meeting of the Company held on 21 June 2019, Ms. Liu Jia was appointed as an executive Director of the seventh session of the Board of the Company. For details, please refer to the announcement of the Company dated 21 June 2019.
3. Upon the approval at the annual general meeting of the Company held on 21 June 2019, Ms. Yang Qing was appointed as a non-executive Director of the seventh session of the Board of the Company. For details, please refer to the announcement of the Company dated 21 June 2019.
4. Upon the approval at the annual general meeting of the Company held on 21 June 2019, Ms. Shi Hongying was appointed as an independent non-executive Director of the seventh session of the Board of the Company. For details, please refer to the announcement of the Company dated 21 June 2019.

The Company confirms that the Board is primarily responsible for making decisions on the following matters:

- 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 on the following matters:

- 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 all 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 seven Board meetings were convened during the Reporting Period, and the attendance rate of individual Directors at Board meetings is as follows:

| | Attendance in person <i>(times)</i> | Attendance by proxy <i>(times)</i> |
|--|---|--|
| Executive Directors | | |
| Ji Chuanpai | 7 | – |
| Wu Bin <i>note 1</i> | 7 | – |
| Li Xiaobing <i>note 2</i> | 6 | – |
| Yang Wenjian <i>note 3</i> | 4 | 1 |
| Shang Da | 7 | – |
| Liu Jia <i>note 4</i> | 4 | – |
| Non-executive Directors | | |
| Peng Liang <i>note 5</i> | 1 | – |
| Zang Furong | 6 | 1 |
| Liu Hong <i>note 6</i> | 2 | 1 |
| Sun Fang | 6 | 1 |
| Yang Qing <i>note 7</i> | 4 | – |
| Independent non-executive Directors | | |
| Wu Tak Lung | 7 | – |
| Cui Enqing | 7 | – |
| Chen Ji | 5 | 2 |
| Wu Changqi | 6 | 1 |
| Chow Bing Chuen <i>note 8</i> | 2 | 1 |
| Shi Hongying <i>note 9</i> | 4 | – |

4. THE BOARD (Continued)

Notes:

1. Upon the approval at the fourth meeting of the seventh session of the Board held on 22 November 2019, Mr. Wu Bin was re-designated from a non-executive Director of the Company to an executive Director of the Company. Mr. Wu has attended seven Board meetings of the Company convened during his tenure of service during the Reporting Period.
2. On 31 October 2019, Mr. Li Xiaobing resigned from the positions as the executive Director, president and authorised representative of the Company due to personal reasons. Mr. Li has attended six Board meetings of the Company convened during his tenure of service during the Reporting Period.
3. On 24 October 2019, Ms. Yang Wenjian resigned from the positions as the executive Director and executive vice president of the Company due to adjustment of work arrangement. Ms. Yang has attended five Board meetings of the Company convened during her tenure of service during the Reporting Period.
4. Upon the approval at the annual general meeting of the Company held on 21 June 2019, Ms. Liu Jia was appointed as an executive Director of the seventh session of the Board of the Company. Ms. Liu has attended four Board meetings of the Company convened during her tenure of service during the Reporting Period.
5. Upon the approval at the annual general meeting of the Company held on 21 June 2019, Mr. Peng Liang was appointed as a non-executive Director of the seventh session of the Board of the Company. On 18 November 2019, Mr. Peng Liang resigned from the position as the non-executive Director of the Company due to adjustment of work. Mr. Peng has attended one Board meetings of the Company convened during his tenure of service during the Reporting Period.
6. As the term of office of the sixth session of the Board expired on the date of the 2018 annual general meeting of the Company held on 21 June 2019, Mr. Liu Hong, a Director of the sixth session of the Board, resigned from the position of the non-executive Director on the date of the 2018 annual general meeting of the Company. Mr. Liu has attended three Board meetings of the Company convened during his tenure of service during the Reporting Period.
7. Upon the approval at the annual general meeting of the Company held on 21 June 2019, Ms. Yang Qing was appointed as a non-executive Director of the seventh session of the Board of the Company. Ms. Yang has attended four Board meetings of the Company convened during her tenure of service during the Reporting Period.
8. Due to health reasons, 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 on 12 December 2018. The resignation took effect upon the approval of the appointment of the new independent non-executive Director by the Shareholders at the annual general meeting of the Company held on 21 June 2019 and the approval of the appointment of the new member of the audit committee by the Board at the first meeting of the seventh session of the Board held on 21 June 2019, respectively. Mr. Chow has attended three Board meetings of the Company convened during his tenure of service during the Reporting Period.
9. Upon the approval at the annual general meeting of the Company held on 21 June 2019, Ms. Shi Hongying was appointed as an independent non-executive Director of the seventh session of the Board of the Company. Ms. Shi has attended four Board meetings of the Company convened during her 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 | 1 | – |
| Wu Bin ^{note 1} | – | – |
| Li Xiaobing ^{note 2} | 1 | – |
| Yang Wenjian ^{note 3} | – | – |
| Shang Da | 1 | – |
| Liu Jia ^{note 4} | – | – |
| Non-executive Directors | | |
| Peng Liang ^{note 5} | – | – |
| Zang Furong | – | – |
| Liu Hong ^{note 6} | – | – |
| Sun Fang | 1 | – |
| Yang Qing ^{note 7} | – | – |
| Independent non-executive Directors | | |
| Wu Tak Lung | – | – |
| Cui Enqing | – | – |
| Chen Ji | – | – |
| Wu Changqi | – | – |
| Chow Bing Chuen ^{note 8} | – | – |
| Shi Hongying ^{note 9} | – | – |

Notes:

1. Upon the approval at the fourth meeting of the seventh session of the Board held on 22 November 2019, Mr. Wu Bin, a non-executive Director of the Company, was re-designated as an executive Director of the Company. Mr. Wu did not attend the general meeting of the Company convened during his tenure of service during the Reporting Period.
2. On 31 October 2019, Mr. Li Xiaobing resigned from the positions as the executive Director, president and authorised representative of the Company due to personal reasons. Mr. Li has attended one general meeting of the Company convened during his tenure of service during the Reporting Period.
3. On 24 October 2019, Ms. Yang Wenjian resigned from the positions as the executive Director and executive vice president of the Company due to adjustment of work arrangement. Ms. Yang did not attend the general meeting of the Company convened during her tenure of service during the Reporting Period.
4. Upon the approval at the annual general meeting of the Company held on 21 June 2019, Ms. Liu Jia was appointed as an executive Director of the seventh session of the Board of the Company. No general meeting of the Company was convened during her tenure of service during the Reporting Period.

4. THE BOARD (Continued)

Notes: (Continued)

5. Upon the approval at the annual general meeting of the Company held on 21 June 2019, Mr. Peng Liang was appointed as a non-executive Director of the seventh session of the Board of the Company. On 18 November 2019, Mr. Peng Liang resigned from the position as the non-executive Director of the Company due to adjustment of work arrangement. Mr. Peng did not attend the general meeting of the Company convened during his tenure of service during the Reporting Period.
6. As the term of office of the sixth session of the Board expired on the date of the 2018 annual general meeting of the Company held on 21 June 2019, Mr. Liu Hong, a Director of the sixth session of the Board, resigned from the position of the non-executive Director on the date of the 2018 annual general meeting of the Company. Mr. Liu did not attend the general meeting of the Company convened during his tenure of service during the Reporting Period.
7. Upon the approval at the annual general meeting of the Company held on 21 June 2019, Ms. Yang Qing was appointed as a non-executive Director of the seventh session of the Board of the Company. No general meeting of the Company was convened during her tenure of service during the Reporting Period.
8. 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 of the Company on 12 December 2018. The resignation took effect upon the approval of the appointment of the new independent non-executive Director by the Shareholders of the Company at the annual general meeting of the Company held on 21 June 2019 and the approval of the appointment of the new member of the audit committee by the Board at the first meeting of the seventh session of the Board held on 21 June 2019, respectively. Mr. Chow did not attend the general meeting of the Company convened during his tenure of service during the Reporting Period.
9. Upon the approval at the annual general meeting of the Company held on 21 June 2019, Ms. Shi Hongying was appointed as an independent non-executive Director of the seventh session of the Board of the Company. No general meeting of the Company was convened during her tenure of service 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 2019, Mr. Ji Chuanpai and Mr. Wu Bin took the positions of chairman and acting president of the Company respectively.

Upon the approval at the first meeting of the seventh session of the Board of the Company held on 21 June 2019, Mr. Ji Chuanpai, an executive Director of the Company, was appointed as the chairman of the seventh session of the Board of the Company. For details, please refer to the announcement of the Company dated 21 June 2019.

Upon the approval at the fourth meeting of the seventh session of the Board held on 22 November 2019, Mr. Wu Bin, a non-executive Director of the Company, was re-designated as an executive Director of the Company, and was appointed as the acting president of the Company, and the authorised representative of the Company in replacement of Mr. Li Xiaobing, who has previously resigned from the positions as the executive Director, president and authorised representative of the Company on 31 October 2019. For details, please refer to the announcements of the Company dated 22 November 2019 and 31 October 2019.

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 is 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.46 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 ^{note} | 2 | – |
| Chen Ji | 2 | – |
| Wu Changqi | 1 | 1 |

Note:

Upon the approval at the first meeting of the seventh session of the Board of the Company held on 21 June 2019, the Remuneration Committee of the seventh session of the Board of the Company comprises Mr. Cui Enqing, Mr. Chen Ji and Mr. Wu Changqi with Mr. Cui Enqing as the chairman. For details, please refer to the announcement of the Company dated 21 June 2019.

The Remuneration Committee held a meeting on 28 January 2019, considered and approved the resolution on annual bonus for executive Directors and senior management of the Company.

The Remuneration Committee held a meeting on 21 June 2019, considered and approved the resolution on determining the annual salary of Mr. Shang Da of RMB356 thousand (before tax) for acting as an executive Director, the resolution on determining the annual salary of Ms. Liu Jia of RMB190 thousand (before tax) for acting as an executive Director, the resolution on determining the annual salary of Mr. Sun Fang and Ms. Yang Qing of RMB60 thousand (before tax) for acting as a non-executive Director and the resolution on determining the annual salary of RMB100 thousand (before tax) for an independent 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)*

Three 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 <i>(times)</i> | Attendance by proxy <i>(times)</i> |
|-------------------------|---|--|
| Ji Chuanpai <i>note</i> | 3 | – |
| Chen Ji | 3 | – |
| Wu Changqi | 3 | – |

Note:

Upon the approval at the first meeting of the seventh session of the Board of the Company held on 21 June 2019, the Nomination Committee of the seventh session of the Board of the Company comprised Mr. Ji Chuanpai, Mr. Chen Ji and Mr. Wu Changqi with Mr. Ji Chuanpai as the chairman. For details, please refer to the announcement of the Company dated 21 June 2019.

The Nomination Committee attaches importance to the diversity of Board composition, the Company has formulated a board diversity policy (as detailed in “BOARD DIVERSITY POLICY”), and believes that such diversity is beneficial to the Board as well as the Company. In reviewing and evaluating the Board composition and making recommendations to the Board on appointment of new Directors, the Nomination Committee shall take account of the benefits of diversity in various aspects, in order to maintain an appropriate scope and the balance between expertise, skills, experience and background of the Board members. The Nomination Committee will make discussion to agree upon all the measurable targets to realize the diversity of Board composition each year. The Company has developed a nomination policy in respect of the nomination of Directors. The appointment of new Directors shall be first considered by the Nomination Committee. In considering the appointment of Directors, the Nomination Committee applies standards such as the board diversity policy. The recommendations of such committee shall be then submitted to the Board for consideration and approval. The appointment of any Directors by the Board shall be subject to the approval at the general meeting.

The Nomination Committee of the Board of the Company held a meeting on 14 March 2019, considered and approved the resolution on the nomination of Mr. Ji Chuanpai, Mr. Li Xiaobing, Ms. Yang Wenjian, Mr. Shang Da and Ms. Ran Hong as candidates for executive Directors of the seventh session of the Board of the Company, the nomination of Mr. Peng Liang, Ms. Zang Furong, Mr. Wu Bin, Mr. Sun Fang and Ms. Yang Qing as candidates for non-executive Directors of the seventh session of the Board of the Company, and the nomination of Mr. Wu Tak Lung, Mr. Cui Enqing, Mr. Chen Ji, Mr. Wu Changqi and Ms. Shi Hongying as candidates for independent non-executive Directors of the seventh session of the Board of the Company.

The Nomination Committee of the Board of the Company held a meeting on 29 March 2019, considered and approved the resolution on the nomination of Ms. Liu Jia as candidate for executive Director of the Company.

The Nomination Committee of the Board of the Company held a meeting on 20 November 2019, considered and approved the resolution on the nomination of Mr. Wu Bin as candidate for acting president of the Company.

9. REMUNERATION OF THE AUDITOR

The Company re-appointed WUYIGE Certified Public Accountants LLP as the auditor for the year 2019. For the year ended 31 December 2019, 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. Cui Enqing and Mr. Wu Changqi 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 has reviewed the risk management and internal control systems of the Group during the Reporting Period, and has discussed with the management in relation to the risk management and internal control systems, and has 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 2018;
- reviewed and considered the results of the Group for the first half of 2019;
- 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 ^{note 1} | 2 | – |
| Wu Changqi ^{note 1} | 2 | – |
| Chow Bing Chuen ^{note 2} | – | 1 |
| Cui Enqing ^{note 1} | 1 | – |

Notes:

1. Upon the approval at the first meeting of the seventh session of the Board of the Company held on 21 June 2019, the Audit Committee of the seventh session of the Board of the Company comprised Mr. Wu Tak Lung, Mr. Wu Changqi and Mr. Cui Enqing with Mr. Wu Tak Lung as the chairman. For details, please refer to the announcement of the Company dated 21 June 2019.
2. On 21 June 2019, Mr. Chow Bing Chuen ceased to be a member of the Audit Committee. For details, please refer to the announcements of the Company dated 12 December 2018 and 21 June 2019.

The Audit Committee of the Board of the Company held a meeting on 24 March 2019, considered and approved the resolution to pay audit fees for the year 2018 (RMB1,780 thousand for annual audit and RMB20 thousand for reporting on continuing connected transactions) to WUYIGE Certified Public Accountants LLP; and the resolution in relation to the reappointment of WUYIGE Certified Public Accountants LLP as auditor for Beijing Media for the year 2019, and the unchanged audit fees for the year 2019 (RMB1,780 thousand for annual audit and RMB20 thousand for reporting on continuing connected transactions).

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 2019.

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 2019, 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 rights, where shareholdings of the Shareholders shall be determined as on the date of submission of the relevant written request.

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

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

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

There was no material amendment to the Articles of Association during the year ended 31 December 2019.

(2) General meetings

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

The 2018 annual general meeting was held at 2:00 p.m. on 21 June 2019 at Conference Room 2104, on the 21st Floor, Beijing Youth Daily Agency Building A, Baijiazhuang Dongli Chaoyang District, Beijing, the PRC, where resolutions in relation to the report of the Board for the year ended 31 December 2018, the report of the Supervisory Committee for the year ended 31 December 2018, the audited financial statements of the Company for the year ended 31 December 2018, the reappointment of WUYIGE Certified Public Accountants LLP as the Company's auditor for the year 2019, the re-election and appointment of the Directors and supervisors of the Company, and the payment of remuneration to Ms. Yan Mengmeng and Ms. Zhang Bo, two employee representative supervisors of the Company, were considered and approved. Please refer to the announcement of the Company dated 21 June 2019 for details.

(3) Important matters for Shareholders for the financial year of 2019

The 2019 annual general meeting of the Company will be held at 2:30 p.m. on 19 June 2020 at Conference Room 2104, on the 21st floor, Beijing Youth Daily Agency Building A, Baijiazhuang Dongli Chaoyang District, Beijing, the PRC.

(4) Market capitalization of public float

The highest and lowest trading prices of the Company's H Shares during 2019 were HKD2.52 and HKD1.10 per share respectively. On 31 December 2019 (the last trading day in 2019), the transaction volume was 0 share and the closing price was HKD1.25 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 relative 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 taken 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.

The Company is committed to setting 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.

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

If the risk management and internal control systems is implemented effectively, it will be beneficial to 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 that the Board, Audit Committee and the administrative management of the Company report the implementation and improvement measures of internal control.

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.

- 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.

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

The capital risk and competition strategy risks were the major risks for 2019. Regarding the capital risk, the trend of the industry in 2019 adversely affected the print media. Companies had to adjust and optimize 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 2019, 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 procedure, 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 should strictly follow 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.

- 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 2019, 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 2018 and the six months ended 30 June 2019, respectively. In March 2020, the Board also made a review on the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2019 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.

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

From the above review, the relevant transactions that were not examined or approved are found by the Company. During the period between September 2018 and March 2019, the Group provided thirteen borrowings to the Parent Group with a total amount of RMB333,200 thousand. Prior approvals of the Board and independent Shareholders have not been obtained for such borrowings. As of 22 April 2019, the outstanding principal owed by the Parent Group was RMB113,200 thousand, and all accrued interest were unpaid. During the period between January 2018 to March 2019, the group provided seven borrowings to Beiqing Top with a total amount of RMB220,000 thousand. Prior approvals of the Board and Shareholders have not been obtained for such borrowings (if applicable). As of 22 April 2019, the outstanding principal owed by Beiqing Top was RMB65,000 thousand, and all accrued interest were unpaid. The above relevant transactions that were not examined or approved. The above transactions reflected the deficiency in the effectiveness and adequacy of the risk management and internal control systems of the Group to some extent. During the Reporting Period, the Board of the Company ratified the above historical transactions. On 22 April 2019, the Company has signed borrowing ratification agreements with the Parent and Beiqing Top respectively to ratify the thirteen borrowings previously provided by the Group to the Parent Group and the seven borrowings previously provided by the Group to the Beiqing Top, and reached a repayment arrangement on the interest rates and maturity of the borrowings, sources of funds and security for the repayment related to the outstanding principal and interest. As of 24 June 2019, the Parent Group and Beiqing Top has repaid all principal and accrued interest and the above-mentioned borrowing ratification agreements were fully performed. For details, please refer to the announcements of the Company dated 22 April 2019 and 24 June 2019. The Company engaged an internal control advisor to evaluate and make recommendations for improvement on the internal control level of the Company. The management of the Company acknowledged the internal control report issued by the internal control advisor and the internal control issues mentioned therein, the internal control advisor has completed the review report on the risk management and internal control of the Company in 2019, the previous internal control issues have been basically resolved and the latest progress of internal control rectification has been put forward and recommendations for further improvement have been made. The Company has taken or will take the following internal control rectification measures:

1. The Company has established a connected transaction and notifiable transaction management team (the "Management Team") to monitor and implement the approval and disclosure procedures for transactions and matters as required by the Listing Rules;
2. The Company has appointed a designated person as contact of departments and subsidiaries and engaged the transaction information collection special monitoring personnel, the contact reports the latest specific transactions and major financial expenses to the transaction information collection special monitoring personnel and the Management Team on a regular basis for following-up by the Management Team in a timely manner. The major financial expenses are reviewed and approved by the management of the Company;
3. The Company's legal counsel in Hong Kong has provided compliance training to the Directors, Supervisors and senior management of the Company. The training includes disclosure of connected transactions, notifiable transactions and inside information. The Company has successively provided training to relevant responsible persons of each department and at the subsidiary level;
4. The Company has sent compliance letters to the relevant personnel of the subsidiaries on a monthly basis;
5. The members of the Board, senior executives and connected shareholders of the subsidiaries of the Company shall submit connected transaction declarations and conflict of interest statement at least semi-annually to the Board of the subsidiaries of the Company.
6. The Company will further amend and improve the written management system and make a clear division on the functions and powers of various departments in the transactions;
7. The Company will seek legal advice and other external expert advice on the transactions;

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

8. The Board and Management Team are responsible for implementing the relevant reward and punishment mechanism. The internal audit department and human resources department of the Company are responsible for implementing the compliance assessment and accountability mechanism of departments and subsidiaries.

The Board is of the view that the Group should further strengthen the resources, qualifications and experiences of the 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;
- 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 Shareholder communication policy and ensure its effect through regular review.

During the Reporting Period, the Board reviewed and supervised from time to time the implementation of a series of corporate governance documents, including Articles of Association of Beijing Media Corporation Limited, Rules of Procedures of the Board, Rules of Procedures for the Audit Committee, Rules of Procedures for the Remuneration Committee, Rules of Procedures for the Nomination Committee and the Board Diversity Policy of the Company; reviewed and actively organized training and continuing professional development for Directors and senior management; reviewed and monitored whether there was any violation of laws and regulatory requirements by the Company; approved the Corporate Governance Report of the Company for the year 2018, 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 2019

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 2019

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. During the Reporting Period, The Supervisory Committee has found the relevant transactions that were not examined or approved and has taken the measures to make up for the lack of internal control and is committed to improving the formulating and implementation of its internal working procedures to control 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 2019 *(Continued)*

(5) Fairness of Connected Transactions

The Supervisory Committee has supervised the connected transactions of the Company. The Supervisory Committee considers that, except for the connected transactions that were not examined or approved as found by the Company during the Reporting Period, the terms (including the terms of the borrowing ratification agreements to avoid the doubts) 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

27 March 2020

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 Company and its subsidiaries during the period from 1 January 2019 to 31 December 2019.

EMISSIONS

The Group belongs to media advertising industry, which does not involve in manufacturing and is thus a low-polluting industry. No hazardous wastes and 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: 24.3878 kg
- Emission of oxysulfide: 0.0608 kg
- Emission of particulate matter: 2.3368 kg
- Emission of carbon dioxide: 9,370.95 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 2018.

USE OF RESOURCES

Saving energy and reducing consumption not only optimize the environment but also reduce the cost of the Group. 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 523,167.75 kWh with a density of approximately 1,571.07 kWh per capita; the water consumption was approximately 4,390.50 tons with a density of approximately 13.18 tons per capita; the gasoline consumption was approximately 4,133.52 liters with a density of approximately 12.41 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 2019 was reduced by 30% as compared with the previous year, and total electricity consumption was reduced by 13% 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 the 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 2019, the Group had a total number of 327 employees (2018: 343).

Classified by age and gender:

| Age | Gender | | Turnover rate % |
|------------------------|--------|--------|-----------------|
| | Male | Female | |
| 30 years old and below | 44 | 70 | 43 |
| 31-40 years old | 64 | 74 | — |
| 41-50 years old | 35 | 31 | 24 |
| 51 years old and above | 9 | — | 31 |
| Total | 152 | 175 | — |

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.

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 for 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 an 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.

The working and rest time vary 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 Company and its subsidiaries have strictly followed the Advertising Law of the PRC, upheld the principles of truth, objectiveness and fairness, prohibited themselves from compensated news and false news, 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 survey of client satisfaction, 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 anticorruption, 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.

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| “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 |
| “Beiqing Long Teng” | Beiqing Long Teng Investment Management (Beijing) Co., Limited, a subsidiary of the Company |
| “Beiqing Network Culture” | Beiqing Network Culture Communication Co., Ltd., a subsidiary of the Company |
| “Beiqing Outdoor” | Beijing Beiqing Outdoor Advertisement Co., Ltd., a subsidiary of the Company |
| “Beiqing Top” | Beijing Beiqing Top Advertising Limited, an associate 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 |
| “Chongqing Media” | Chongqing Youth Media Company Limited, a subsidiary of the Company |
| “Company”, “we”, “us” or “Beijing Media” | Beijing Media Corporation Limited, a joint stock limited company incorporated under the laws of the PRC and whose H 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 |

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| “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 2019 |
| “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 [2020] No. [2-00223]

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 2019, 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 2019, 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. Provision for bad debts of accounts receivable

1. The Matter

For policies and disclosures of the Company on provision for bad debts of accounts receivable, please refer to “V.10.Determination and accounting treatment methods of expected credit loss” and “VIII.3.Accounts receivable” in the notes. As at 31 December 2019, the balance of carrying amount of accounts receivable of the Company was RMB425,129 thousand, the balance of bad debt provision was RMB252,531 thousand, both were accounting for higher balances. Upon implementation of the New Financial Instruments Standards, the Company makes provision for bad debts based on the amount of the expected credit loss during the whole duration of the accounts receivable. When using this simplification of ECL model, the management shall properly group different customer segments according to historical experience, calculate the expected credit loss with reference to the historical credit loss situation, and apply significant accounting estimation and judgment. Therefore, we identified the provision for bad debts of accounts receivable as a key audit matter.

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 accounts receivable management of the Company;
- (2) Analyze the rationality of grouping of accounts receivable, including the determination basis of accounts receivable groups, the judgment 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 balances of accounts receivable and provision for bad debts about customers of significant receivables;
- (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 accounts receivable in the financial report complies with the requirements of the Accounting Standards for Business Enterprises.

B. Impairment of long-term assets**1. The Matter**

For policies and disclosures of the Company on impairment of long-term assets, please refer to “V.18. Impairment of long-term assets” and “VIII.40. Impairment loss of assets” in the notes. In 2019, the Company made provision for impairment loss of long-term assets of RMB43,129 thousand, which exerted significant impact on financial statements. The Company recognized the provision for impairment based on the amount of the shortfall between the recoverable amount of the asset and its carrying amount. Relevant impairment tests involve significant estimates and judgments by management. Therefore, we identified the impairment of long-term assets as a key audit matter.

2. Audit response

The procedures we conducted to measure the impairment of long-term assets, mainly includes:

- (1) Evaluate and test the effectiveness of the design and operation of the internal control related to the impairment of long-term assets of the Company;
- (2) Review the principles and methods of determining the impairment of long-term assets by the management;
- (3) Evaluate the significant assumptions involved in management’s calculation of the recoverable amount of long-term assets;
- (4) Obtain the company’s long term asset impairment test calculation sheet and perform the recalculation procedure;
- (5) Check whether the disclosure of the impairment of long-term assets in the financial report complies with the requirements of the Accounting Standards for Business Enterprises.

IV. OTHER INFORMATION

The management of the Company (hereafter referred to as “the management”) are responsible for the other information. The other information comprises all of the information included in the annual report of 2019 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 MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR 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 design, implement and maintain the necessary internal control 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 are 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 directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Those charged with governance 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 judgment 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 the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, 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 27, 2020

For the year ended 31 December 2019

| Item | Notes | RMB'000 | |
|-------------------------------------|---------|------------------------------|------------------------------|
| | | As at 31 December 2019 | As at 31 December 2018 |
| Current assets: | | | |
| Bank balances and cash | VIII.1 | 217,264 | 199,925 |
| Notes receivable | VIII.2 | — | 7,908 |
| Accounts receivable | VIII.3 | 172,598 | 254,059 |
| Prepayments | VIII.4 | 9,375 | 18,528 |
| Other receivables | VIII.5 | 6,086 | 99,649 |
| Inventories | VIII.6 | 12,181 | 21,087 |
| Other current assets | VIII.7 | 35,212 | 32,322 |
| Total current assets | | 452,716 | 633,478 |
| Non-current assets | | | |
| Long-term equity investment | VIII.8 | 9,738 | 22,140 |
| Other equity instruments investment | VIII.9 | 215,923 | 218,427 |
| Other non-current financial assets | VIII.10 | 54,356 | 52,028 |
| Investment properties | VIII.11 | 131,832 | 150,161 |
| Fixed assets | VIII.12 | 2,078 | 3,828 |
| Construction in progress | | — | 1,953 |
| Right-of-use assets | VIII.13 | 4,166 | — |
| Intangible assets | VIII.14 | 20,981 | 30,807 |
| Goodwill | VIII.15 | — | — |
| Long-term prepaid expenses | | 3,655 | 685 |
| Deferred income tax assets | VIII.16 | — | 16,789 |
| Other non-current assets | VIII.17 | — | 28,990 |
| Total non-current assets | | 442,729 | 525,808 |
| Total assets | | 895,445 | 1,159,286 |

| Item | Notes | RMB'000 | |
|---|---------|------------------------------|------------------------------|
| | | As at 31 December 2019 | As at 31 December 2018 |
| Current liabilities: | | | |
| Notes payable | VIII.19 | 5,669 | 9,581 |
| Accounts payable | VIII.20 | 10,306 | 14,309 |
| Contractual liabilities | VIII.21 | 27,405 | 47,617 |
| Employee benefit payables | VIII.22 | 7,689 | 7,726 |
| Tax payables | VIII.23 | 382 | 2,233 |
| Other payables | VIII.24 | 40,445 | 51,065 |
| Non-current liabilities due within one year | | 239 | — |
| Total current liabilities | | 92,135 | 132,531 |
| Non-current liabilities | | | |
| Long-term loan | VIII.25 | — | 6,927 |
| Leased liabilities | VIII.26 | 322 | — |
| Deferred income tax liabilities | VIII.16 | 7,991 | 9,236 |
| Total non-current liabilities | | 8,313 | 16,163 |
| Total liabilities | | 100,448 | 148,694 |
| Shareholders' equity: | | | |
| Share capital | VIII.27 | 197,310 | 197,310 |
| Capital reserves | VIII.28 | 934,421 | 934,421 |
| Other comprehensive income | VIII.29 | 105,909 | 105,434 |
| Surplus reserves | VIII.30 | 130,931 | 130,931 |
| Undistributed profits | VIII.31 | (599,811) | (401,551) |
| Total equity attributable to shareholders of the Company | | 768,760 | 966,545 |
| Non-controlling interest | VIII.32 | 26,237 | 44,047 |
| Total shareholders' equity | | 794,997 | 1,010,592 |
| Total liabilities and shareholders' equity | | 895,445 | 1,159,286 |
| Net current assets | | 360,581 | 500,947 |
| Total assets less current liabilities | | 803,310 | 1,026,755 |

For the year ended 31 December 2019

| Item | Notes | RMB'000 | |
|---|---------|-------------------------------------|-------------------------------------|
| | | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
| Total operating income | VIII.33 | 219,927 | 344,625 |
| Total operating costs | | 263,468 | 398,968 |
| Operating cost | VIII.33 | 212,548 | 325,681 |
| Tax and surcharges | VIII.34 | 5,375 | 6,125 |
| Selling expenses | | 19,269 | 22,325 |
| Administrative expenses | | 34,328 | 46,145 |
| Financial expenses | VIII.35 | (8,052) | (1,308) |
| Including: Interest expenses | | 444 | 706 |
| Interest income | | 8,560 | 2,093 |
| Add: Other income | VIII.36 | 370 | 1,590 |
| Investment income (Loss represented in "-") | VIII.37 | (195) | (10,224) |
| Including: Gain from investments in associates | | (2,355) | (12,415) |
| Profit on the changes in fair value (Loss represented in "-") | VIII.38 | (13,475) | (3,282) |
| Credit impairment losses (Loss represented in "-") | VIII.39 | (95,885) | (190,233) |
| Impairment loss of assets (Loss represented in "-") | VIII.40 | (46,318) | (32,117) |
| Gain on disposal of asset (Loss represented in "-") | VIII.41 | 54 | 47 |
| Operating profit | | (198,990) | (288,562) |
| Add: non-operating income | VIII.42 | 697 | 43 |
| Less: non-operating expenses | VIII.43 | 162 | 2,119 |
| Total profit | | (198,455) | (290,638) |
| Less: Income tax expenses | VIII.44 | 16,056 | 1,575 |
| Net profit | | (214,511) | (292,213) |
| Net profit attributable to: | | | |
| Net profit from continuing operations | | (214,511) | (292,213) |
| Net profit from discontinued operations | | — | — |
| Shareholders of the Company | | (196,538) | (277,310) |
| Non-controlling shareholders | | (17,973) | (14,903) |

| Item | Notes | RMB'000 | |
|--|---------|-------------------------------------|-------------------------------------|
| | | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
| Other net comprehensive income after tax | VIII.50 | 645 | 3,620 |
| Other net comprehensive income after tax attributable to shareholders of the Company | | 475 | 3,607 |
| Including: Other comprehensive income unqualified for subsequent reclassification into profit or loss | | (179) | 3,628 |
| Including: Change in fair value of other equity instruments investments | | (179) | 3,628 |
| Including: Other comprehensive income subsequently reclassified into profit or loss | VIII.50 | 654 | (21) |
| Including: Items attributable to investees under equity method subsequently reclassified to profit or loss | | 622 | (41) |
| Exchange differences from retranslation of financial statements | | 32 | 20 |
| Other net comprehensive income after tax attributable to non-controlling shareholders | | 170 | 13 |
| Total comprehensive income | | (213,866) | (288,593) |
| Total comprehensive income attributable to shareholders to the Company | | (196,063) | (273,703) |
| Total comprehensive income attributable to non-controlling shareholders | | (17,803) | (14,890) |
| Earnings per share: | | | |
| Basic earnings per share (RMB) | XVII.2 | (0.99) | (1.39) |
| Diluted earnings per share (RMB) | XVII.2 | (0.99) | (1.39) |
| Dividends | VIII.48 | — | — |

For the year ended 31 December 2019

| Item | Note | RMB'000 | |
|---|---------|-------------------------------------|-------------------------------------|
| | | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
| 1. Cash flows from operating activities: | | | |
| Cash received from the sale of goods and provision of services | | 181,314 | 316,552 |
| Tax refund received | | 813 | — |
| Other cash receipt related to operating activities | | 77,832 | 325,247 |
| Sub-total of cash inflows from operating activities | | 259,959 | 641,799 |
| Cash paid for goods purchased and services received | | 170,072 | 292,420 |
| Cash paid to and on behalf of employees | | 54,417 | 55,737 |
| Payments of taxes and surcharges | | 9,483 | 13,504 |
| Other cash payments relating to operating activities | | 96,641 | 360,177 |
| Sub-total of cash outflows from operating activities | | 330,613 | 721,838 |
| Net cash from operating activities | VIII.51 | (70,654) | (80,039) |
| 2. Cash flows from investment activities: | | | |
| Cash received from sales of investments | | 8,282 | 5,280 |
| Cash received from returns on investments | | 2,160 | 5,130 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | 2,613 | 358 |
| Other cash receipt relating to investing activities | | 361,304 | 106,885 |
| Sub-total of cash inflows from investing activities | | 374,359 | 117,653 |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | 3,135 | 1,267 |
| Cash paid for investment | | 4,400 | — |
| Other cash payments related to investing activities | | 281,200 | 145,000 |
| Sub-total of cash outflows from investing activities | | 288,735 | 146,267 |
| Net cash from investing activities | | 85,624 | (28,614) |

| Item | Notes | RMB'000 | |
|---|---------|-------------------------------------|-------------------------------------|
| | | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
| 3. Cash flows from financial activities: | | | |
| Cash received from investors | | — | — |
| Including: cash received from non-controlling shareholders of subsidiaries | | — | — |
| Cash received from borrowings obtained | | — | — |
| Other cash receipts relating to financing activities | | — | — |
| Sub-total of cash inflows from financial activities | | — | — |
| Cash payments for borrowings repayment | | 6,927 | 23,073 |
| Cash payments for distribution of dividends or profits or interest expense | | 212 | 706 |
| Including: dividend or profits paid to non-controlling shareholders of subsidiaries | | — | — |
| Other cash payment relating to financing activities | | 6,670 | 6,686 |
| Sub-total of cash outflows from financial activities | | 13,809 | 30,465 |
| Net cash from financial activities | | (13,809) | (30,465) |
| 4. Effect of exchange rate changes on cash and cash equivalents | | 27 | 25 |
| 5. Net increase in cash and cash equivalents | VIII.52 | 1,188 | (139,093) |
| Add: balance of cash and cash equivalents at the beginning of the year | | 186,519 | 325,612 |
| 6. Balance of cash and cash equivalents at the end of the year | VIII.53 | 187,707 | 186,519 |

For the year ended 31 December 2019

| Item | <i>RMB'000</i> | | | | | | | | |
|--|---|------------------|----------------------------|------------------------|-----------------------|------------------|-----------------|--------------------------|----------------------------|
| | For the year ended 31 December 2019 | | | | | | | | |
| | Attributable to shareholders of the Company | | | | | | | Non-controlling interest | Total shareholders' equity |
| | Share capital | Capital reserves | Other comprehensive income | Surplus reserve (note) | Undistributed profits | Subtotal | | | |
| Balance as at 31 December 2018 | 197,310 | 934,421 | 105,434 | 130,931 | (401,551) | 966,545 | 44,047 | 1,010,592 | |
| Change in accounting policies | — | — | — | — | 153 | 153 | 137 | 290 | |
| Balance as at 1 January 2019 | 197,310 | 934,421 | 105,434 | 130,931 | (401,398) | 966,698 | 44,184 | 1,010,882 | |
| Net profit | — | — | — | — | (196,538) | (196,538) | (17,973) | (214,511) | |
| Other comprehensive income | — | — | 475 | — | — | 475 | 170 | 645 | |
| Other comprehensive income carried forward retained earnings | — | — | — | — | (1,921) | (1,921) | (148) | (2,069) | |
| Others | — | — | — | — | 46 | 46 | 4 | 50 | |
| Sub-total of the changes during the year | — | — | 475 | — | (198,413) | (197,938) | (17,947) | (215,885) | |
| Balance as at 31 December 2019 | 197,310 | 934,421 | 105,909 | 130,931 | (599,811) | 768,760 | 26,237 | 794,997 | |
| Item | <i>RMB'000</i> | | | | | | | | |
| | For the year ended 31 December 2018 | | | | | | | | |
| | Attributable to shareholders of the Company | | | | | | | Non-controlling interest | Total shareholders' equity |
| | Share capital | Capital reserves | Other comprehensive income | Surplus reserve (note) | Undistributed profits | Subtotal | | | |
| 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 | |

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)

For the year ended 31 December 2019

I. GENERAL INFORMATION

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

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

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

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

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

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The subsidiaries which are included in the scope of consolidated financial statements for the year ended 31 December 2019 of the Group are as follows:

| Name of units | Shareholding(%) | |
|---|-----------------|----------|
| | Direct | Indirect |
| Beijing Beiqing Outdoor Advertisement Co., Ltd. (Beiqing Outdoor) | 100.00 | — |
| Beiqing Network Culture Communication Co., Ltd. (Beiqing Network) | 100.00 | — |
| Beijing Qingyou Information Technology Co., Ltd. (Qingyou Information) (Note 1) | 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) | — | 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: Qingyou Information has finished the settlement of business written-off on 28 August 2019.

Note 2: Community Travelling has finished the settlement of business written-off on 30 September 2019.

Note 3: Community Business has finished the settlement of business written-off on 29 September 2019.

III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The Group's financial statements for the year ended 31 December 2019 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 Company is able to continue as a going concern for at least the next 12 months at the end of the Reporting Period, 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 2019 and their consolidated operating results, consolidated cash flows and other relevant information for the year then ended.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting Period

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

2. Reporting currency

The reporting currency of the Group is RMB.

The financial statements of the Group are expressed in RMB.

3. Basis of preparation and principle of measurement

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

4. Business Combination

(1) Business combination involving entities under common control

In a business combination involving enterprises under common control, if the acquirer pays for the business combination in cash, by transferring of non-cash assets or assuming liabilities, net assets in the ultimate controlling party's consolidated financial statements are measured at their carrying amounts of the acquiree at the acquisition date. If the acquirer issues equity instruments for the business combination, the acquirer measures the share capital by the par value of the shares issued. The difference between the original investment costs of long-term equity investment 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.

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

For the year ended 31 December 2019

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

4. Business Combination *(Continued)*

(2) Business combination involving entities not under common control

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

5. Preparation of consolidated financial statement

(1) Determination of the scope of consolidation

All subsidiaries (including individual entities under the control of the Company) are included in the consolidated financial statements of the Group, including enterprises controlled by the Company, the divisible parts of the invested entities as well as structured entities.

(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 has been acquired through a business combination involving enterprises under common control in the reporting period, the obtained subsidiary 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 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 *(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 Group's statement of cash flows represents 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.

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

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(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 "undistributed profits", 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 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 (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 recognize its financial assets as financial assets measured 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 recognize 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 at amortised cost. All financial liabilities are not reclassified.

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

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(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 *(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. In limited cases, if there is insufficient information used to determine the fair value, or if the range of possible estimated fair values is broad, and the cost represents the best estimate of the fair value in such a range, then such costs can represent the proper estimate of the fair value in that range. The Company determines whether the cost represents the fair value based on all information in relation to the results and operations of the investees available since the date of initial recognition.

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

For the year ended 31 December 2019

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

9. Financial instruments *(Continued)*

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

1) 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.

2) 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 *(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 may not make a comparison with the credit risk at the time of initial recognition, but directly make the assumption that the credit risk of the instrument has not increased significantly since initial recognition.

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(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.

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

For the year ended 31 December 2019

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

Based on the nature of financial instruments, the Company assesses whether credit risk has increased significantly on the basis of a single financial asset or combination of financial assets. According to the credit risk characteristics, the Company divides the notes receivable and accounts receivable into several combinations, and calculates the expected credit losses on a combined basis. The basis for determining the combination is as follows:

| | |
|------------------------------|---------------------------|
| Accounts receivable group 1: | Aging portfolio customers |
| Accounts receivable group 2: | Related party customers |
| Notes receivable group 1: | Bank acceptance bill |
| Notes receivable group 2: | Trade acceptance bill |
| Contractual assets group 1: | Third-party customers |
| Contractual assets group 2: | Related party customers |

For accounts receivable designated to a group, the Company makes the comparison of trade receivables overdue days and full lifetime expected credit losses rate to calculate the expected credit losses by taking into account the historical credit losses experience, and the existing and forecast of future economic conditions. For bills receivable and contract assets designated to a combination, the Company applies exposure at default and lifetime expected credit losses rate to calculate the expected credit losses by taking into account the historical credit losses experience and the existing and forecast of future economic conditions.

2) Accounts receivable, contractual assets and rental receivable containing significant financing elements

For accounts receivable or contractual assets containing significant financing elements and lease receivable regulated by the Accounting Standards for Business Enterprises No.21 — Lease, the Company measures loss provision based on general approach, i.e. “three stages” model.

(3) Method of measuring loss provisions for accounts receivable and contractual assets

For financial assets other than those mentioned above, e.g. debt investment, other debt investment, other receivables, long-term receivables other than rental receivable, etc., the Company measures loss provisions with the general method, i.e. the “three-stage” model.

The Company divides other receivables into several groups based on the nature of the payment, and calculates the expected credit loss on the basis of the group. The basis for determining the group is as follows:

| | |
|----------------------------|-------------------------------------|
| Other receivables group 1: | Margins, deposits, petty cash, etc. |
| Other receivables group 2: | Related party payments |
| Other receivables group 3: | other current payments |

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)***10. Determination and accounting treatment methods of expected credit loss** *(Continued)***(4) Related party payments**

There is a special relationship between the related parties and 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, the accounts receivable are generally not made for provision of bad debt. However, if there is concrete evidence indicating that a related party who is a debtor of the company the registration of which is revoked, 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 expected to be possibly 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.

(5) Margins, deposits, petty cash and other payments

The accounts receivable include 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.

(6) Accounting treatment methods of expected credit losses

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 included in estimated liabilities (loans commitment or financial guarantee contracts) or included in other comprehensive income (investment in equity at fair value through other comprehensive income).

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 measured 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.

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

For the year ended 31 December 2019

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

12. Contractual assets and contractual liabilities

(1) Contractual assets

A contract asset is the Company's right to receive consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditioned on something other than the passage of time and an impairment of a contract asset is measured using ECL model. See note V.10 for details of the Company's method of measuring expected credit losses on contractual assets and accounting treatment thereof.

(2) Contractual liabilities

The obligation of the Group to transfer goods or to provide services for consideration received or to be received is presented as contract liabilities.

13. 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**13. Long-term equity investment** (Continued)**(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.

14. 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.

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

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. Fixed assets

Fixed assets of the Group are tangible assets that are held for the purpose of producing goods, rendering services, leasing or operation and management. The useful lives of fixed assets are more than one year.

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

Subsequent expenditures incurred for a fixed asset, such as maintenance expenses, 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.

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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)***16. 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.

(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.

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

For the year ended 31 December 2019

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

17. 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.

18. 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)***19. 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.

20. 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.

21. Employee benefits

Employee benefits are all forms of rewards or compensation provided by the Company in exchange for services rendered by employees or for the termination of employment. Employee benefits mainly include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(1) Short-time employee benefits

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

(2) Post-employment benefits

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

(3) Termination benefits

Termination benefits provided by the Company to employees are recognized as an employee benefit liability and charged to profit or loss for the current period at the earlier of the following dates: 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.

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

For the year ended 31 December 2019

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

21. Employee benefits *(Continued)*

(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.

22. 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. The performance obligations of the contract refer to the undertaking in the contract that the Company can clearly distinguish between the goods transferred by the Company 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.

Whether performance obligations satisfied over time or at a point in time is based on the terms of contracts and related law regulations. If the performance obligations satisfied over time, the Company will recognise revenue via contract performance schedule, otherwise the Company will recognise revenue at a point in time when the relevant assets control rights are obtained by customers.

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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)***22. Revenue** *(Continued)***(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 lease (see Note V.26).

23. 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 performing 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.

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

For the year ended 31 December 2019

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

24. Government grants

(1) *Category and accounting treatment 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). As monetary assets, government grants are measured based on the actual received or receivable amounts. As non-monetary assets, government grants are measured based on their fair value; if the fair value cannot be estimated reliably, it will be measured based on nominal amount.

Government grants related to daily activities are included in other income according to the substance of the economic activities. Government grants unrelated to daily activities are included in non-operating income and expenditure.

The government grants which are clearly defined in the government documents to be used for acquisition, construction or other project that forms a long-term asset are recognized as asset-related government grants. Regarding the government grant that is not clearly defined in the government documents and can form long-term assets, the part of government grant which can be referred to the value of the assets is classified as government grant related to assets and the remaining part is government grant related to income. For the government grant that is difficult to distinguish, the entire government grant is classified as government grant related to income. Any government grants related to assets are recognized as deferred income, the amount of which shall be recorded in the current profit or loss in installments with a reasonable and systematic method over the useful lives of relevant assets.

The government grants other than those related to assets are recognized as government grants related to income. The income-related government grants used to compensate relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognized as deferred income and recorded in profit and loss for the current period when such expenses are recognized while those used to compensate relevant expenses or losses that have been incurred by the enterprise are recorded directly in profit or loss for the current period.

Where the Company obtains an interest subsidy for policy-related preferential loans, the government either appropriates an interest subsidy to the lending bank, allowing the latter to provide loans at a preferential interest rate to the Company who shall recognize the loan amount received as the book-entry value of such loans, and calculate the relevant loan expenses according to the loan principal and the preferential interest rate; or the government directly appropriates an interest subsidy to the Company who shall use the interest subsidy to offset relevant loan expenses.

(2) *The recognition time point for government grants*

The governmental grants would be recognized upon satisfaction of the conditions attached and such amount of grants is sure to be received. Specifically, the governmental grants measured at the amount receivable will be recognized when there is unambiguous evidence suggesting the conformance to related conditions as provided in financial support policies and financial support fund is expected to be received at the end of financial year. Other government grants other than those measured at the amount receivable will be recognized at the actual time of receiving such grants.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**25. 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.

26. Lease**(1) The accounting treatment for lessee**

At the beginning of the lease term, the Company recognizes the right-of-use assets and lease liabilities for leases other than short-term leases and leases of low-value assets, and depreciation and interest expenses are recognised during the lease term.

The company uses the straight-line method in each period of the lease term to include lease payments for short-term leases and leases of low-value assets into current expenses.

1) Right-of-use assets

The right-of-use assets refer to the right of the lessee to use the leased asset during the lease term. On the commencement date of the lease term, right-of-use assets are initially measured at cost. The cost includes: ① the amount of the initial measurement of the lease liability; ② the lease payment made on or before the commencement date of the lease term, less any lease incentive received if any; ③ the initial direct costs incurred by the lessee; ④ an estimate of costs to be incurred by the lessee in dismantling and removing the leased assets, restoring the site on which it is located or restoring the leased asset to the condition required by the terms and conditions of the lease.

The depreciation for right-of-use assets of the Company is categorized and provided using the average life method. For those leased assets which can be reasonably determined that their ownership will be acquired at the expiration of the lease term, depreciation will be provided within the estimated remaining useful life of the leased assets; for those which cannot be reasonably determined that their ownership will be acquired at the expiration of the lease term, depreciation will be provided within the shorter of the lease term and the remaining useful life of the leased assets.

The Company determines whether the right-of-use assets have been impaired and are accounted for in accordance with the relevant provisions under the Accounting Standards for Business Enterprises No. 8 — Asset Impairment.

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

For the year ended 31 December 2019

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

26. Lease *(Continued)*

(1) *The accounting treatment for lessee (Continued)*

2) Lease liabilities

Lease liabilities are initially measured based on the present value of outstanding lease payment on the commencement date of the lease term. Lease payment include: ① fixed payments (including in-substance fixed payments), less any relevant lease incentives if any; ② variable lease payments subject to an index or a rate; ③ estimated payables based on the residual value of the guarantee provided by the lessee; ④ the exercise price under the purchase option if the lessee is reasonably certain to exercise; ⑤ payments for exercising the option of termination of a lease if the lease term reflects the lessee exercising the option to terminate.

The Company use the inherent interest rate of the lease as the discount rate; if the inherent interest rate of the lease cannot be determined, the incremental borrowing interest rate of the Company should be used as the discount rate. The Company calculates the interest expenses of lease liabilities for each period over the lease term based on the fixed periodic rate, and recognises them in financial expenses. Such periodic rate is the discount rate or revised discount rate adopted by the Company.

The variable lease payments not included in the measurement of lease liabilities are recognized in the current profit and loss when they actually occur.

If there are any changes in the Company's evaluation of the lease renewal option, the lease termination option or the purchase option, the lease liabilities shall be remeasured at the present value calculated based on the changed lease payments and the revised discount rate, and the book value of the right-of-use assets shall be adjusted accordingly. If there are any changes in actual lease payments, the estimated payables of guaranteed residual value or the variable lease payments subject to an index or a rate, the lease liabilities are remeasured at the changed lease payments and the present value calculated at the original discount rate, and the book value of the right-of-use assets shall be adjusted accordingly.

(2) *Accounting treatment of leased assets*

1) Accounting treatment of operating leases

During each period of the lease term, the Company uses the straight-line method to recognise the lease payments from operating leases as rental income. The initial direct costs incurred by the Company in relation to the operating leases are capitalised, and are accounted for in current income based on the same recognition basis as the rental income during the lease term.

2) Accounting treatment of finance leases

At the commencement date of lease term, the Company recognizes the difference between the sum of finance lease receivables and the unguaranteed residual value, and the present value thereof as unrealized finance income, and recognizes the same as rental income over the periods when rent is received in the future. The Company's initial direct costs associated with rental transactions shall be included in the initial measurement of the finance lease receivables.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)***27. 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.

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.

28. 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.

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

For the year ended 31 December 2019

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

29. 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.

30. Key accounting estimates and judgments

In the application of the Group's accounting policies, the Directors of the Company are required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and underlying assumptions are based on 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 ownership

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)***30. Key accounting estimates and judgments** *(Continued)***(4) Allowance for bad debts of account receivables and other receivables**

The Company assesses expected credit loss of account receivables by using the probability of default of account receivables 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 Company 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.

(6) Fair value of customer loyalty program

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

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

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

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

For the year ended 31 December 2019

VI. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Changes in accounting policies and their effect

(1) The Ministry of Finance issued the revised Accounting Standards for Business Enterprises No. 21 — Leases in December 2018, which the Company has adopted from 1 January 2019. For contracts that existed before the date of first execution, the company chose not to reassess whether such contracts were leases or included a lease. The Company made adjustments to the retained earnings and the amount of other relevant items in the financial statements at the beginning of the year of the first implementation based on the cumulative effect of the first implementation, and no adjustment was made to the information for comparable periods.

(2) In April 2019, the Ministry of Finance issued the “Notice on Revising and Issuing the Format of the Financial Statements of General Enterprises for the Year 2019” (Caikuai [2019] No. 6) (hereinafter referred to as the “Format of the Financial Statements”). The financial statements shall be prepared in accordance with the Accounting Standards for Business Enterprises and the requirements of the notice.

(3) Impact of change in accounting policies

1) Impact of implementing the revised lease standards

| Items under the Consolidated Financial Statements | 31 December 2018 | Amount affected | 1 January 2019 |
|---|------------------|-----------------|----------------|
| Assets: | | | |
| Right-of-use assets | — | 1,103 | 1,103 |
| Liabilities: | | | |
| Non-current liabilities due within one year | — | 705 | 705 |
| Lease liabilities | — | 108 | 108 |
| Shareholders' equity: | | | |
| Undistributed profits | (401,551) | 153 | (401,398) |
| Non-controlling interest | 44,047 | 137 | 44,184 |

2) Impact of implementing the revised format of financial statements

According to the requirements of the Format of the Financial Statements, the Company split the “Notes receivable and account receivable” into two items, “Notes receivable” and “Accounts receivable”, and the “Notes and accounts payable” into two items, “Notes payable” and “Accounts payable”. The Company has retroactively adjusted the financial statements of the corresponding period. Such changes in accounting policies have no impact on the combination and net profits of the Company as well as shareholders' equity.

2. Change in accounting estimates and their effect

There were no changes in accounting estimates during the period.

For the year ended 31 December 2019

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

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 16%, 13%, 10%, 9%, 6% | 16%、13%、10%、9%、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 Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Deepening the Policies Related to Value-Added Tax Reform" (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) (Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs Announcement No. 39 of 2019), since 1 April 2019, VAT taxable sales or imported goods in respect of general taxpayer of value added tax, the original applicable tax rates, being 16% and 10%, have been adjusted to 13% and 9%, respectively.

2. Significant tax incentives and approval documents

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.

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

| Item | As at 31 December 2019 | As at 31 December 2018 |
|--------------------------|------------------------------|------------------------------|
| Bank balance and cash | 187,707 | 186,519 |
| Restricted bank deposits | 29,557 | 13,406 |
| Total | 217,264 | 199,925 |

The Group's bank balances are deposited at banks in the PRC and carry interest at market interest rates of 0.3% to 2.03% (2018: 0.3% to 1.60%) per annum.

Restricted bank deposits represent marginal deposit for bank acceptance notes and blocked funds and carry market interest rates of 0.30% to 1.95% (2018: 0.30% to 0.50%) per annum.

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

For the year ended 31 December 2019

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

2. Notes receivable

| Item | As at 31 December 2019 | As at 31 December 2018 |
|-------------------------------|------------------------------|------------------------------|
| Bank acceptance notes | — | 7,908 |
| Less: Provision for bad debts | — | — |
| Total | — | 7,908 |

3. Accounts receivable

| Item | As at 31 December 2019 | As at 31 December 2018 |
|--|------------------------------|------------------------------|
| Accounts receivable | 425,129 | 416,072 |
| Less: Provision for bad debts | 252,531 | 162,013 |
| Net accounts receivable | 172,598 | 254,059 |
| For reporting purpose, analysis as: | | |
| Non-current assets — long-term receivables | — | — |
| Current assets — accounts receivable | 172,598 | 254,059 |
| Total | 172,598 | 254,059 |

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

| Item | As at 31 December 2019 | As at 31 December 2018 |
|--------------|------------------------------|------------------------------|
| 0–90 days | 18,529 | 28,833 |
| 91–180 days | 7,558 | 21,537 |
| 181–365 days | 6,682 | 14,287 |
| 1–2 years | 23,576 | 47,392 |
| Over 2 years | 116,253 | 142,010 |
| Total | 172,598 | 254,059 |

For the year ended 31 December 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 (Continued)

3. Accounts receivable (Continued)

(2) Analysis of account receivables by categories:

| Item | As at 31 December 2019 | | | | As at 31 December 2018 | | | |
|--|----------------------------|----------------|-------------------------|----------------|----------------------------|----------------|-------------------------|----------------|
| | Balance of carrying amount | | Provision for bad debts | | Balance of carrying amount | | Provision for bad debts | |
| | Amount | Percentage (%) | Amount | Percentage (%) | Amount | Percentage (%) | Amount | Percentage (%) |
| Receivables with bad debt provision made on individual basis | 35,102 | 8.26 | 35,102 | 100.00 | 26,090 | 6.27 | 26,038 | 99.80 |
| Receivables with bad debt provision made on group basis: | 390,027 | 91.74 | 217,429 | 55.75 | 389,982 | 93.73 | 135,975 | 34.87 |
| Aging group | 220,559 | 51.88 | 155,678 | 70.58 | 226,158 | 54.36 | 95,228 | 42.11 |
| Related party group | 169,468 | 39.86 | 61,751 | 36.44 | 163,824 | 39.37 | 40,747 | 24.87 |
| Total | 425,129 | 100.00 | 252,531 | | 416,072 | 100.00 | 162,013 | |

Account receivables with bad debt provision by aging group are as follows:

| Item | As at 31 December 2019 | | | As at 31 December 2018 | | |
|---------------|------------------------|----------------|-------------------------|------------------------|----------------|-------------------------|
| | Amount | Percentage (%) | Provision for bad debts | Amount | Percentage (%) | Provision for bad debts |
| Within 1 year | 30,079 | 15.58 | 4,686 | 46,822 | 5.00 | 2,341 |
| 1-2 years | 15,901 | 39.94 | 6,351 | 42,341 | 10.00 | 4,234 |
| 2-3 years | 40,650 | 57.78 | 23,487 | 36,104 | 30.00 | 10,831 |
| 3-4 years | 35,678 | 75.47 | 26,927 | 35,751 | 50.00 | 17,876 |
| Over 4 years | 98,251 | 95.90 | 94,227 | 65,140 | 92.03 | 59,946 |
| Total | 220,559 | | 155,678 | 226,158 | | 95,228 |

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

For the year ended 31 December 2019

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

3. Accounts receivable (Continued)

- (3) The top five account receivables as at 31 December 2019 represented 43.80% of the total accounts receivable.
- (4) The aging analysis of the account receivables which are past due but not impaired as at the balance sheet date are as follows:

| Item | As at 31 December 2019 | As at 31 December 2018 |
|--------------------|------------------------------|------------------------------|
| Within 6 months | 3,434 | 12,239 |
| 6 months to 1 year | 2,223 | 7,935 |
| 1-2 years | 13,206 | 9,209 |
| 2-3 years | 9,681 | 18,500 |
| 3-4 years | 13,553 | 23,349 |
| Over 4 years | 60,646 | 46,339 |
| Total | 102,743 | 117,571 |

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

4. Prepayments

| Item | As at 31 December 2019 | As at 31 December 2018 |
|-------------------------------|------------------------------|------------------------------|
| Prepayments | 9,375 | 18,528 |
| Less: Provision for bad debts | — | — |
| Net prepayments | 9,375 | 18,528 |

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

4. Prepayments (Continued)

The top five prepayments as at 31 December 2019 represented 96.00% of the total prepayments.

| Aging | As at 31 December 2019 | As at 31 December 2018 |
|---------------|------------------------------|------------------------------|
| Within 1 year | 9,353 | 18,327 |
| 1-2 years | — | 119 |
| 2-3 years | — | 60 |
| Over 3 years | 22 | 22 |
| Total | 9,375 | 18,528 |

5. Other receivables

| Item | As at 31 December 2019 | As at 31 December 2018 |
|-------------------------------|------------------------------|------------------------------|
| Interest receivable | — | 39 |
| Dividends receivable | — | — |
| Other receivables | 203,042 | 291,199 |
| Less: Provision for bad debts | 196,956 | 191,589 |
| Net other receivables | 6,086 | 99,649 |

(1) Interest receivable

| Nature | As at 31 December 2019 | As at 31 December 2018 |
|------------------------|------------------------------|------------------------------|
| Fixed deposit interest | — | 39 |
| Total | — | 39 |

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

For the year ended 31 December 2019

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

5. Other receivables (Continued)

(2) Other receivables

1) Other receivables by nature

| Nature | As at 31 December 2019 | As at 31 December 2018 |
|----------------------------------|------------------------------|------------------------------|
| Related party current account | 5,217 | 77,304 |
| External unit current | 123,996 | 131,880 |
| Consideration of equity transfer | 72,320 | 76,152 |
| Deposit and margin | 406 | 3,202 |
| Reserve funds | 1,103 | 2,660 |
| Other | — | 1 |
| Total | 203,042 | 291,199 |

2) Other receivables analysis by aging

| Aging | As at 31 December 2019 | | As at 31 December 2018 | |
|---------------|------------------------|-------------------|------------------------|-------------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Within 1 year | 2,295 | 1.14 | 83,521 | 28.68 |
| 1-2 years | 6,668 | 3.28 | 20,620 | 7.08 |
| 2-3 years | 10,072 | 4.96 | 123,358 | 42.36 |
| 3-4 years | 121,377 | 59.78 | 36,413 | 12.50 |
| Over 4 years | 62,630 | 30.84 | 27,287 | 9.38 |
| Total | 203,042 | 100.00 | 291,199 | 100.00 |

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

5. Other receivables (Continued)

(2) Other receivables (Continued)

3) Provision for bad debts

| Provision for bad debts | First stage | Second stage | Third stage | Total |
|--|---|---|--|---------|
| | Expected credit losses for the next 12 months | Expected credit losses for the entire duration (no credit impairment has been occurred) | Expected credit losses for the entire duration (credit impairment has been occurred) | |
| Balance at 1 January 2019 | 4,366 | — | 187,223 | 191,589 |
| Transfer from the first stage to the third stage | (225) | — | 225 | — |
| Provision for this period | 4,784 | — | 583 | 5,367 |
| Closing balance | 8,925 | — | 188,031 | 196,956 |

- 4) The top five other receivables as at 31 December 2019 represented 95.74% of the total other receivables.

6. Inventories

| Item | As at 31 December 2019 | | | As at 31 December 2018 | | |
|----------------|------------------------|--------------------------|---------------|------------------------|--------------------------|---------------|
| | Carrying amount | Provision for impairment | Book value | Carrying amount | Provision for impairment | Book value |
| Goods in stock | 17,295 | 5,114 | 12,181 | 23,012 | 1,925 | 21,087 |
| Total | 17,295 | 5,114 | 12,181 | 23,012 | 1,925 | 21,087 |

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

For the year ended 31 December 2019

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

7. Other current assets

| Item | As at 31 December 2019 | As at 31 December 2018 |
|------------------------------------|------------------------------|------------------------------|
| Investment of film projects (Note) | 5,971 | 4,325 |
| VAT utilizable | 28,828 | 27,844 |
| Prepaid income tax | 413 | 153 |
| Total | 35,212 | 32,322 |

Note: Investment of film projects including:

The Company had entered into an investment agreement in accordance with the proportion of investment with Beijing Forest Movies Culture Media Co., Ltd., pursuant to which the Company will invest RMB1,800 thousand (representing 15% of total investment cost of the TV series) for the production of internet TV series "Creating Internet Celebrity" (《網紅製造》). The Company will enjoy the benefits in accordance with the proportion of investment based on the "Earnings Settlement Report" and will not participate in the production process. As at 31 December 2019, the Company's balance of the investment in the TV series amounted to RMB981 thousand.

The Company had entered into an investment agreement in accordance with the proportion of investment with Beijing Forest Movies Culture Media Co., Ltd., pursuant to which the Company will invest RMB4,990 thousand (representing 10% of total investment cost of the TV series) for the production of internet TV series "Set Sail" (《啟航》). The Company will enjoy the benefits in accordance with the proportion of investment based on the "Earnings Settlement Report" and will not participate in the production process. As at 31 December 2019, the Company's balance of the investment in the TV series amounted to RMB4,990 thousand.

8. Long-term equity investment

(1) Types for long-term equity investments

| Type | As at 31 December 2019 | As at 31 December 2018 |
|--|------------------------------|------------------------------|
| Investments in associates — under equity method | 21,355 | 23,088 |
| Less: provision for impairment for investments in associates | 11,617 | 948 |
| Total | 9,738 | 22,140 |

For the year ended 31 December 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 (Continued)

8. Long-term equity investment (Continued)

(2) Investments in associates

| Investee | Changes in the current year | | | | | | | | | | Balance as at provision as at 31 December 2019 | |
|--|------------------------------------|----------|--------------------------|---------------------------|--|--|----------------------------|--|-----------------------------|--------------|---|--------------------------------------|
| | Balance as at 1 January 2019 | | 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 2019 |
| | | | | | | | | | | | | |
| 1. Associates | | | | | | | | | | | | |
| Beijing Leisure Trend Advertising Company Limited | — | — | — | — | — | — | — | — | — | — | — | |
| Beijing Beijing Shengda Automobile Service Company Limited | — | — | — | — | — | — | — | — | — | — | — | |
| Beijing Beisheng United Insurance Agency | 1,587 | — | — | 255 | — | — | — | — | — | 1,842 | — | |
| BY Times Consulting Co., Ltd | — | — | — | — | — | — | — | — | — | — | — | |
| Beiqing Transmedia Co., Ltd ("Beiqing Transmedia") | — | — | — | — | — | — | — | — | — | — | — | |
| Beijing Beijing Top Advertising Limited | — | — | — | — | — | — | — | — | — | — | — | |
| Hebei Jujingcai E-commerce Company Limited | — | — | — | — | — | — | — | — | — | — | — | |
| Beijing Lingshi Technology Ltd. | — | — | — | — | — | — | — | — | — | — | — | |
| Beijing International Advertising Media Group Co., Limited | 17,634 | — | — | (1,107) | 622 | — | — | (10,669) | — | 6,480 | 10,669 | |
| Chongqing Soyang Internet Technology | — | — | — | — | — | — | — | — | — | — | 948 | |
| Beijing Shangyou Network Technology | 2,919 | — | — | (1,503) | — | — | — | — | — | 1,416 | — | |
| Total | 22,140 | — | — | (2,355) | 622 | — | — | (10,669) | — | 9,738 | 11,617 | |

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

For the year ended 31 December 2019

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

9. Investment in other equity instruments

(1) Investment in other equity instruments

| Item | Investment cost | As at 31 December 2019 | As at 31 December 2018 | Accumulated gains and losses for the period Amount transferred from other comprehensive income to retained earnings | Reason for transfer |
|---|-----------------|------------------------|------------------------|---|------------------------|
| Beijing Keyin Media and Culture Co., Ltd. | 6,560 | 45,061 | 46,110 | — | |
| Beiyang Publishing & Media Co., Ltd. | 103,000 | 168,017 | 167,856 | — | |
| Beijing Youth Daily Newspaper Internet Communication Technology Co., Ltd. | 500 | 2,845 | 4,461 | — | |
| Flint Ink (Beijing) Co., Ltd. | 2,069 | — | — | (2,069) | Disposal of investment |
| Total | 112,129 | 215,923 | 218,427 | (2,069) | |

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

| Type | As at 31 December 2019 | As at 31 December 2018 |
|------------------------------------|------------------------|------------------------|
| Unlisted equity investments, China | 215,923 | 218,427 |
| Total | 215,923 | 218,427 |

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

10. Other non-current financial assets

| Item | As at 31 December 2019 | As at 31 December 2018 |
|--|------------------------------|------------------------------|
| Beijing Runxin Dingtai Investment Center (limited partnership) | 51,639 | 49,666 |
| Suzhou Huaying Culture Industry Investment Enterprise | 2,717 | 2,362 |
| Total | 54,356 | 52,028 |

11. Investment properties

(1) Investment properties measured at fair value

| Item | Fair value as at 1 January 2019 | Increase during the year | | Decrease during the year | | Fair value as at 31 December 2019 |
|------------------------------|------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---|
| | | Purchase | Changes in fair value | Disposal | Changes in fair value | |
| Cost | 58,626 | 153 | — | 2,679 | — | 56,100 |
| Buildings | 58,626 | 153 | — | 2,679 | — | 56,100 |
| Changes in fair value | 91,535 | — | — | 289 | 15,514 | 75,732 |
| Buildings | 91,535 | — | — | 289 | 15,514 | 75,732 |
| Book value | 150,161 | 153 | — | 2,968 | 15,514 | 131,832 |
| Buildings | 150,161 | 153 | — | 2,968 | 15,514 | 131,832 |

The fair value of the Group's investment properties as at 31 December 2019 have been arrived at by reference to recent market prices for similar properties in the same locations and conditions.

As at 31 December 2019, the carrying values of the investment properties for which the Group had not been granted formal title amounted to approximately RMB9,587 thousand (2018: RMB22,186 thousand). In the opinion of the directors of the Company, the absence of formal title to these properties does not impair the value of the relevant properties to the Group. The directors of the Company also believe that formal title to these properties will be granted to the Group in due course.

During the year, the rental income generated from investment properties is RMB3,701 thousand (2018: RMB2,860 thousand).

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

For the year ended 31 December 2019

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

11. Investment properties (Continued)

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

| Item | Fair value as at 31 December 2019 | Fair value as at 31 December 2018 |
|---------------------------|---|---|
| Located inside of PRC | | |
| Medium term (10–70 years) | 124,400 | 139,681 |
| Located outside of PRC | | |
| Long term (over 70 years) | 7,432 | 10,480 |
| Total | 131,832 | 150,161 |

(3) Investment properties are detailed as follows:

| No. | Address | Usage |
|-----|---|-------------|
| 1 | 502-D-0201, Yuelianghe Chengbaogongyu, Xinhudajie, Tongzhou District, Beijing | Residential |
| 2 | 502-C-0601, Yuelianghe Chengbaogongyu, Xinhudajie, Tongzhou District, Beijing | Residential |
| 3 | 502-C-0301, Yuelianghe Chengbaogongyu, Xinhudajie, Tongzhou District, Beijing | Residential |
| 4 | No.9, Section A, No.1 Floor, Jinyufenglinzhou, Office No.265 Office, Yaojiayuanxikou, Chaoyang District, Beijing | Office |
| 5 | No.3, Section A, No.1 Floor, Jinyufenglinzhou, Office No.265 Office, Yaojiayuanxikou, Chaoyang District, Beijing | Office |
| 6 | No.12, Section A, No.1 Floor, Jinyufenglinzhou, Office No.265 Office, Yaojiayuanxikou, Chaoyang District, Beijing | Office |
| 7 | C1501, No.5 Huizhong Road, Chaoyang District, Beijing. Office | Office |
| 8 | C1502, No.5 Huizhong Road, Chaoyang District, Beijing. Office | Office |
| 9 | C1503, No.5 Huizhong Road, Chaoyang District, Beijing. Office | Office |
| 10 | C1505, No.5 Huizhong Road, Chaoyang District, Beijing. Office | Office |
| 11 | C1506, No.5 Huizhong Road, Chaoyang District, Beijing. Office | Office |
| 12 | 201 No.1 Zhuoda Scotland City84.Jinhai Road, Nanhaixinq, Weihai | Residential |
| 13 | 301 No.1 Zhuoda Scotland City84.Jinhai Road, Nanhaixinq, Weihai | Residential |
| 14 | 402 No.1 Zhuoda Scotland City84.Jinhai Road, Nanhaixinq, Weihai | Residential |
| 15 | 501 No.1 Zhuoda Scotland City84.Jinhai Road, Nanhaixinq, Weihai | Residential |
| 16 | 103 No.1 Zhuoda Scotland City84.Jinhai Road, Nanhaixinq, Weihai | Residential |
| 17 | 14612 Nevada CTF ontana,CA 92336 USA | Residential |

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

| No. | Address | Usage |
|-----|--|-------------|
| 18 | ChampionsGate 50,Block H162,ChampionsGate FL 33896 USA | Residential |
| 19 | 79-2403 Evergrande Splendor, Wuqing, Tianjin | Residential |
| 20 | 79-2503 Evergrande Splendor, Wuqing, Tianjin | Residential |
| 21 | 79-2703 Evergrande Splendor, Wuqing, Tianjin | Residential |
| 22 | 79-2803 Evergrande Splendor, Wuqing, Tianjin | Residential |
| 23 | 79-2903 Evergrande Splendor, Wuqing, Tianjin | Residential |
| 24 | 79-3003 Evergrande Splendor, Wuqing, Tianjin | Residential |
| 25 | 26-4-801 Evergrande Splendor, Wuqing, Tianjin | Residential |
| 26 | 26-4-901 Evergrande Splendor, Wuqing, Tianjin | Residential |
| 27 | 26-4-1001 Evergrande Splendor, Wuqing, Tianjin | Residential |
| 28 | 26-4-1004 Evergrande Splendor, Wuqing, Tianjin | Residential |
| 29 | 26-4-1204 Evergrande Splendor, Wuqing, Tianjin | Residential |
| 30 | 26-4-1604 Evergrande Splendor, Wuqing, Tianjin | Residential |
| 31 | 26-4-1701 Evergrande Splendor, Wuqing, Tianjin | Residential |
| 32 | 26-4-2001 Evergrande Splendor, Wuqing, Tianjin | Residential |
| 33 | 26-4-2201 Evergrande Splendor, Wuqing, Tianjin | Residential |
| 34 | 26-4-2601 Evergrande Splendor, Wuqing, Tianjin | Residential |
| 35 | 26-4-1201 Evergrande Splendor, Wuqing, Tianjin | Residential |
| 36 | 26-4-1801 Evergrande Splendor, Wuqing, Tianjin | Residential |
| 37 | Room 2302, Block D, Jinwanwei, Boao, Hainan | Residential |
| 38 | Flat 3903, Block 1, ShanhaiTongwan | Residential |
| 39 | Flat 126, No.1, Block 2, ShanhaiTongwan | Residential |
| 40 | Flat 603, No.1, Block 17, ShanhaiTongwan | Residential |
| 41 | Flat 3723, Block 26, ShanhaiTongwan | Residential |
| 42 | Flat M10, Block 26, ShanhaiTongwan | Residential |
| 43 | Flat 3909, Block 22, ShanhaiTongwan | Residential |
| 44 | Flat 3805, Block 22, ShanhaiTongwan | Residential |
| 45 | Qingdao Xihu Huafu 16-1-105 | Residential |
| 46 | Guanlan Hu Saish Apartment 9-05-212 | Residential |
| 47 | Guanlan Hu Saish Apartment 9-05-215 | Residential |
| 48 | Guanlan Hu Saish Apartment 9-05-219 | Residential |
| 49 | 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)

For the year ended 31 December 2019

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

12. Fixed assets

(1) Breakdown of fixed assets

| Item | As at 1 January 2019 | Increase during the year | Decrease during the year | As at 31 December 2019 |
|---------------------------------|----------------------------|--------------------------------|--------------------------------|------------------------------|
| Cost | 33,307 | 115 | 2,640 | 30,782 |
| Buildings | 15,775 | — | — | 15,775 |
| Plant and machinery | 3,671 | — | — | 3,671 |
| Motor vehicles | 2,826 | — | — | 2,826 |
| Office equipment | 1,152 | — | 480 | 672 |
| Electronic equipment | 9,883 | 115 | 2,160 | 7,838 |
| Accumulated depreciation | 29,479 | 1,856 | 2,631 | 28,704 |
| Buildings | 14,004 | 757 | — | 14,761 |
| Plant and machinery | 2,935 | 364 | — | 3,299 |
| Motor vehicles | 2,464 | 169 | — | 2,633 |
| Office equipment | 1,012 | 114 | 471 | 655 |
| Electronic equipment | 9,064 | 452 | 2,160 | 7,356 |
| Net carrying amount | 3,828 | — | — | 2,078 |
| Buildings | 1,771 | — | — | 1,014 |
| Plant and machinery | 736 | — | — | 372 |
| Motor vehicles | 362 | — | — | 193 |
| Office equipment | 140 | — | — | 17 |
| Electronic equipment | 819 | — | — | 482 |
| Provision for impairment | — | — | — | — |
| Buildings | — | — | — | — |
| Plant and machinery | — | — | — | — |
| Motor vehicles | — | — | — | — |
| Office equipment | — | — | — | — |
| Electronic equipment | — | — | — | — |
| Net book value | 3,828 | — | — | 2,078 |
| Buildings | 1,771 | — | — | 1,014 |
| Plant and machinery | 736 | — | — | 372 |
| Motor vehicles | 362 | — | — | 193 |
| Office equipment | 140 | — | — | 17 |
| Electronic equipment | 819 | — | — | 482 |

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

For the year ended 31 December 2019, the depreciation of fixed assets recognized in the consolidated income statement amounted to RMB1,856 thousand (2018: RMB2,236 thousand).

For the year ended 31 December 2019, the net profit on disposal of fixed assets recognized in the consolidated income statement amounted to RMB54 thousand (2018: net profit of RMB47 thousand).

For the year ended 31 December 2019, the rental income generated from fixed assets recognized in the consolidated income statement amounted to RMB6,250 thousand (2018: RMB4,933 thousand).

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

| Item | As at 31 December 2019 | As at 31 December 2018 |
|--|------------------------------|------------------------------|
| Located inside of PRC Medium term (10–50 years) | 1,014 | 1,771 |
| Total | 1,014 | 1,771 |

(3) Fixed assets through operating lease

As at 31 December 2019, a fixed asset with carrying amount of RMB1,014 thousand (cost of RMB15,775 thousand) was leased out through operating lease (2018: carrying amount of RMB2,509 thousand, cost of RMB19,447 thousand).

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

For the year ended 31 December 2019

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

13. Right-of-use assets

(1) Breakdown of right-of-use assets

| Item | As at 1 January 2019 | Increase during the year | Decrease during the year | As at 31 December 2019 |
|---------------------------------|----------------------------|--------------------------------|--------------------------------|------------------------------|
| Cost | 2,207 | 5,723 | — | 7,930 |
| Buildings | 2,207 | 5,723 | — | 7,930 |
| Accumulated depreciation | 1,104 | 2,660 | — | 3,764 |
| Buildings | 1,104 | 2,660 | — | 3,764 |
| Provision for impairment | — | — | — | — |
| Buildings | — | — | — | — |
| Carrying amount | 1,103 | — | — | 4,166 |
| Buildings | 1,103 | — | — | 4,166 |

During the year ended 31 December 2019, the depreciation of the right-of-use assets recognised in the consolidated income statement amounted to RMB2,660 thousand.

(2) The analysis of the net value of buildings in the right-of-use assets by region is as follows:

| Item | As at 31 December 2019 | As at 31 December 2018 |
|--------------|------------------------------|------------------------------|
| Within China | 4,166 | — |
| Total | 4,166 | — |

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

14. Intangible assets

(1) Breakdown of intangible assets

| Item | As at 1 January 2019 | Increase during the year | Decrease during the year | As at 31 December 2019 |
|---------------------------------------|----------------------------|--------------------------------|--------------------------------|------------------------------|
| Total cost | 53,056 | — | — | 53,056 |
| Land use rights | 40,226 | — | — | 40,226 |
| Software | 2,030 | — | — | 2,030 |
| Operation rights | 10,800 | — | — | 10,800 |
| Total accumulated amortization | 22,249 | 1,366 | — | 23,615 |
| Land use rights | 18,540 | 888 | — | 19,428 |
| Software | 1,729 | 118 | — | 1,847 |
| Operation rights | 1,980 | 360 | — | 2,340 |
| Provision for impairment | — | 8,460 | — | 8,460 |
| Land use rights | — | — | — | — |
| Software | — | — | — | — |
| Operation rights | — | 8,460 | — | 8,460 |
| Total carrying amount | 30,807 | — | — | 20,981 |
| Land use rights | 21,686 | — | — | 20,798 |
| Software | 301 | — | — | 183 |
| Operation rights | 8,820 | — | — | — |

For the year ended 31 December 2019, the amortization of intangible assets recognized in the consolidated income statement for the year is RMB1,366 thousand (2018: RMB1,473 thousand).

- (2) The land use rights of the Group are located in PRC under medium lease (less than 50 years but not less than 10 years).

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

For the year ended 31 December 2019

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

15 Goodwill

| Item | As at 31 December 2019 | As at 31 December 2018 |
|---|------------------------------|------------------------------|
| Goodwill arising from the acquisition of Beijing CéCi | 47,377 | 47,377 |
| Less: provision for impairment loss | 47,377 | 47,377 |
| Total | — | — |

16. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets not written off

| Item | As at 31 December 2019 | | As at 31 December 2018 | |
|------------------------------------|---------------------------------------|----------------------------------|---------------------------------------|----------------------------------|
| | Deductible temporary difference | Deferred income tax assets | Deductible temporary difference | Deferred income tax assets |
| Provision for impairment of assets | — | — | 17,932 | 4,483 |
| Uncompensated loss | — | — | 49,225 | 12,306 |
| Total | — | — | 67,157 | 16,789 |

(2) Deferred income tax liabilities not written off

| Item | As at 31 December 2019 | | As at 31 December 2018 | |
|---|------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| | Taxable temporary difference | Deferred income tax liabilities | Taxable temporary difference | Deferred income tax liabilities |
| Change in fair value of other equity instruments investment that are included in other comprehensive income | 2,345 | 586 | 3,961 | 990 |
| Change in fair value of other non-current financial assets | 8,880 | 2,220 | 6,908 | 1,727 |
| Change in fair value of investment properties | 20,739 | 5,185 | 26,075 | 6,519 |
| Total | 31,964 | 7,991 | 36,944 | 9,236 |

(3) As at 31 December 2019, the Group has unused tax losses of approximately RMB204,412 thousand (2018: RMB137,916 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 2024.

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

17. Other non-current assets

| Item | As at 31 December 2019 | As at 31 December 2018 |
|--------------------------------------|------------------------------|------------------------------|
| Film project prepaid expenses (Note) | 24,000 | 28,990 |
| Less: provision for impairment loss | 24,000 | — |
| Total | — | 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》). 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". As at 31 December 2019, the balances of prepaid expenses related to the remaining television projects "Oriental King of Soccer" were RMB24,000 thousand. "Oriental King of Soccer" has not been released.

18. Breakdown of impairment provision of assets

| Item | As at 1 January 2019 | Increase during the year | | Decrease during the year | | As at 31 December 2019 |
|---|----------------------------|--------------------------|----------------------|--------------------------|-----------------------|------------------------------|
| | | Provision | Other transfer-in | Reversal | Other transfer-out | |
| Provision for bad debts | 353,602 | 95,885 | — | — | — | 449,487 |
| Provision for inventory impairment | 1,925 | 3,189 | — | — | — | 5,114 |
| Provision for impairment of investments in associate | 948 | 10,669 | — | — | — | 11,617 |
| Provision for impairment of intangible assets | — | 8,460 | — | — | — | 8,460 |
| Provision for impairment of goodwill | 47,377 | — | — | — | — | 47,377 |
| Provision for impairment of other non-current assets | — | 24,000 | — | — | — | 24,000 |
| Total | 403,852 | 142,203 | — | — | — | 546,055 |

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

For the year ended 31 December 2019

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

19. Notes payable

| Item | As at 31 December 2019 | As at 31 December 2018 |
|-----------------------|------------------------------|------------------------------|
| Bank acceptance notes | 5,669 | 9,581 |
| Total | 5,669 | 9,581 |

Note: As at 31 December 2019, the above notes payable were aged within 6 months.

20. Accounts payable

The following is an aging analysis of accounts payable as at 31 December 2019 presented based on the invoice date:

| Item | As at 31 December 2019 | As at 31 December 2018 |
|---------------|------------------------------|------------------------------|
| 0–90 days | 5,310 | 7,263 |
| 91–180 days | 731 | 1,452 |
| 181–365 days | 277 | 2,297 |
| Over one year | 3,988 | 3,297 |
| Total | 10,306 | 14,309 |

21. Contractual liabilities

| Item | As at 31 December 2019 | As at 31 December 2018 |
|------------------------------|------------------------------|------------------------------|
| Contractual receipts advance | 27,405 | 47,617 |
| Total | 27,405 | 47,617 |

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

21. Contractual liabilities (Continued)

(1) Receipts advance by nature:

| Item | As at 31 December 2019 | As at 31 December 2018 |
|--------------------------------------|------------------------------|------------------------------|
| Advertising amount | 26,793 | 29,117 |
| Trading amount of printing materials | 50 | 17,482 |
| Publication amount | 163 | 502 |
| Other receipts | 399 | 516 |
| Total | 27,405 | 47,617 |

22. Employee benefit payables

(1) Classification for employee benefit payables

| Item | As at 31 December 2019 | As at 1 January 2019 |
|---|------------------------------|----------------------------|
| Short-term remuneration | 7,326 | 7,153 |
| Post-employment benefit — Defined contribution plan | 363 | 573 |
| Total | 7,689 | 7,726 |

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

For the year ended 31 December 2019

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

22. Employee benefit payables (Continued)

(2) Short-term remuneration

| Item | As at 1 January 2019 | Increase during the year | Decrease during the year | As at 31 December 2019 |
|---|----------------------------|--------------------------------|--------------------------------|------------------------------|
| Salaries, bonus, allowances and subsidies | 2,352 | 39,552 | 39,325 | 2,579 |
| Staff benefits | 7 | 1,309 | 1,310 | 6 |
| Social security insurance | 301 | 3,643 | 3,685 | 259 |
| Including: Medical insurance | 271 | 3,275 | 3,312 | 234 |
| Labour injury insurance | 11 | 111 | 115 | 7 |
| Maternity insurance | 19 | 257 | 258 | 18 |
| Housing fund | — | 3,716 | 3,716 | — |
| Union fund and staff education fund | 4,493 | 500 | 511 | 4,482 |
| Total | 7,153 | 48,720 | 48,547 | 7,326 |

(3) Defined contribution plan

| Item | As at 1 January 2019 | Increase during the year | Decrease during the year | As at 31 December 2019 |
|-------------------------|----------------------------|--------------------------------|--------------------------------|------------------------------|
| Basic pension insurance | 552 | 5,303 | 5,509 | 346 |
| Unemployment insurance | 21 | 249 | 253 | 17 |
| Total | 573 | 5,552 | 5,762 | 363 |

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 or cost of related assets as and when incurred.

For the year ended 31 December 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 (Continued)

23. Tax payables

| Item | As at 31 December 2019 | As at 31 December 2018 |
|--|------------------------------|------------------------------|
| Value added tax | 106 | 1,065 |
| Corporate Income Tax | — | 48 |
| Personal Income Tax | 143 | 123 |
| Urban maintenance and construction tax | 16 | 132 |
| Education surcharge | 12 | 94 |
| Cultural Construction Fee | 105 | 768 |
| Stamp duty | — | 3 |
| Total | 382 | 2,233 |

24. Other payables

(1) Other payables classification

| Item | As at 31 December 2019 | As at 31 December 2018 |
|-------------------|------------------------------|------------------------------|
| Interest payables | — | — |
| Dividend payables | — | — |
| Other payables | 40,445 | 51,065 |
| Total | 40,445 | 51,065 |

(2) Other payables by nature

| Item | As at 31 December 2019 | As at 31 December 2018 |
|---------------------|------------------------------|------------------------------|
| Current account | 32,913 | 41,059 |
| Margin and deposit | 5,817 | 8,256 |
| Receipt and payment | 264 | 292 |
| Other | 1,451 | 1,458 |
| Total | 40,445 | 51,065 |

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

For the year ended 31 December 2019

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

25. Long-term loans

(1) Borrowings classification

| Type | As at 31 December 2019 | As at 31 December 2018 |
|--------------------------------------|------------------------------|------------------------------|
| Pledged borrowings | — | — |
| Less: Borrowings due within one year | — | — |
| Secured loans | — | 6,927 |
| Less: Borrowings due within one year | — | — |
| Total | — | 6,927 |

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 2019, borrowings were fully repaid.

(2) Maturity analysis for long-term loans

| Item | As at 31 December 2019 | As at 31 December 2018 |
|--------------|------------------------------|------------------------------|
| 1 to 2 years | — | 6,927 |
| 2 to 5 years | — | — |
| Total | — | 6,927 |

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

26. Lease liabilities

| Item | As at 31 December 2019 | As at 31 December 2018 |
|---|------------------------------|------------------------------|
| Lease payments | 683 | — |
| Less: Unrecognized finance costs | 122 | — |
| Less: Lease liabilities due within one year | 239 | — |
| Total | 322 | — |

27. Share capital

| Item | As at 31 December 2019 | As at 31 December 2018 |
|---|------------------------------|------------------------------|
| 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 |

28. Capital reserves

| Item | As at 1 January 2019 | Increase during the year | Decrease during the year | As at 31 December 2019 |
|------------------------|----------------------------|-----------------------------|-----------------------------|------------------------------|
| 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)

For the year ended 31 December 2019

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

29. Other comprehensive income

| Item | Amount for the year | | | | Amount after tax attributable to non-controlling shareholders | | As at 31 December 2019 |
|--|----------------------|---------------------------------------|---|---------------------------|---|---|------------------------|
| | As at 1 January 2019 | 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 of the Company | Amount after tax attributable to non-controlling shareholders | |
| 1. Other comprehensive income subsequently unable to be reclassified into profit or loss | 105,456 | (2,504) | (2,069) | (404) | (179) | 148 | 105,277 |
| Including: Changes in fair value of other investments of equity instruments | 105,456 | (2,504) | (2,069) | (404) | (179) | 148 | 105,277 |
| 2. Other comprehensive income subsequently able to be reclassified into profit or loss | (22) | 676 | — | — | 654 | 22 | 632 |
| Including: Items attributable to investees under equity method subsequently reclassified to profit or loss | (72) | 622 | — | — | 622 | — | 550 |
| Including: Exchange differences from retranslation of financial statement | 50 | 54 | — | — | 32 | 22 | 82 |
| Total other comprehensive income | 105,434 | (1,828) | (2,069) | (404) | 475 | 170 | 105,909 |

30. Surplus reserves

| Item | As at 1 January 2019 | Increase during the year | Decrease during the year | As at 31 December 2019 |
|----------------------------|----------------------|--------------------------|--------------------------|------------------------|
| 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.

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

31. Undistributed profits

| Item | For the year ended 31 December 2019 | |
|--|--|----------------------|
| | Amount | Appropriation (%) |
| Balance as at 31 December 2018 | (401,551) | — |
| Add: Beginning retained earnings adjustment | 153 | — |
| Balance as at 1 January 2019 | (401,398) | — |
| Add: Net profit attributable to shareholders of the Company for the current year | (196,538) | — |
| Disposal of the investment in other equity instruments | (1,875) | — |
| 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 | — | — |
| Balance as at 31 December 2019 | (599,811) | — |

As at 31 December 2019, the Group's undistributed profits attributable to the Shareholders of the Company included a surplus reserve of RMB86 thousand (2018: RMB227 thousand) from the subsidiaries.

32. 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 2019 | As at 31 December 2018 |
|---|---|------------------------------|------------------------------|
| BYD Logistics Company Limited | 7.16 | 3,734 | 5,189 |
| Beijing CéCi Advertising (Beijing) Limited | 15.31 | 763 | 3,989 |
| Beijing Long Teng Investment Management (Beijing) Co., Limited | 19.16 | 1,122 | 1,501 |
| Chongqing Youth Media Company Limited | 40.00 | 1,287 | 3,285 |
| Beijing Community Media Technology Corporation Limited | 47.34 | 19,331 | 30,083 |
| Total | | 26,237 | 44,047 |

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

For the year ended 31 December 2019

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

33. Total operating income, operating costs

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|-------------------------------|---|---|
| Principal operating income | 205,793 | 330,856 |
| Other operating income | 14,134 | 13,769 |
| Total operating income | 219,927 | 344,625 |
| Principal operating costs | 206,548 | 319,689 |
| Other operating costs | 6,000 | 5,992 |
| Total operating costs | 212,548 | 325,681 |
| Gross Profit | 7,379 | 18,944 |

Total operating income, which is the turnover of the Group, represents the net amounts received and receivable from sales of advertising layout, 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 2019 | | For the year ended 31 December 2018 | |
|------------------------------------|--|--------------------|--|--------------------|
| | Operating revenue | Operating costs | Operating revenue | Operating costs |
| Advertising | 96,965 | 98,635 | 125,782 | 123,457 |
| Printing | 3,457 | 3,221 | 6,832 | 5,509 |
| Trading of print-related materials | 102,620 | 100,112 | 188,434 | 177,394 |
| Distribution | 535 | 580 | 859 | 1,171 |
| Other revenue | 2,216 | 4,000 | 8,949 | 12,158 |
| Total | 205,793 | 206,548 | 330,856 | 319,689 |

(2) For the year ended 31 December 2019, the sum of operating income from the top five customers is RMB64,955 thousand, representing 29.53% of total operating income.

For the year ended 31 December 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 (Continued)

34. Sales tax and surcharges

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|--|--|--|
| Cultural Construction Fee | 2,731 | 3,598 |
| Urban maintenance and construction tax | 173 | 267 |
| Education surcharge | 74 | 114 |
| Local education surcharge | 49 | 76 |
| Stamp duty | 132 | 150 |
| Property tax | 2,103 | 1,811 |
| Urban land utilization tax | 12 | 13 |
| Vehicle and vessel tax | 7 | 4 |
| Other | 94 | 92 |
| Total | 5,375 | 6,125 |

35. Financial expenses

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|-------------------------------------|--|--|
| Interest expenses | 444 | 706 |
| Less: Interest income | 8,560 | 2,093 |
| Add: Exchange loss | — | 1 |
| Less: Exchange gain | — | — |
| Add: Commissions and other expenses | 64 | 78 |
| Total | (8,052) | (1,308) |

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

For the year ended 31 December 2019

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

36. Other income

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|---|--|--|
| Government grants from routine activities | 370 | 1,590 |
| Total | 370 | 1,590 |

37. Gain on investment

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|---|--|--|
| Share of profit of associates | (2,355) | (12,415) |
| Gain on disposal of interests in an associate | — | — |
| 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 | 2,160 | (2,166) |
| Sub-total of other investment income | 2,160 | (2,166) |
| Total | (195) | (10,224) |

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

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|---|--|--|
| Changes in fair value of other non-current financial assets | 2,328 | 3,466 |
| Gain on changes in fair value of investment properties | (15,803) | (6,748) |
| Total | (13,475) | (3,282) |

For the year ended 31 December 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 (Continued)

39. Credit impairment losses

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|-------------------------|--|--|
| Provision for bad debts | (95,885) | (190,233) |
| Total | (95,885) | (190,233) |

40. Impairment loss of assets

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|---|--|--|
| Provision for inventory impairment | (3,189) | (1,687) |
| Impairment loss on long-term equity investments | (10,669) | — |
| Impairment loss on intangible assets | (8,460) | — |
| Impairment loss on goodwill | — | (30,430) |
| Impairment loss on other non-current assets | (24,000) | — |
| Total | (46,318) | (32,117) |

41. Gain on disposal of asset

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|----------------------------------|--|--|
| Gain on disposal of fixed assets | 54 | 47 |
| Total | 54 | 47 |

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

For the year ended 31 December 2019

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

42. Non-operating income

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|---|--|--|
| Government grants unrelated to routine activities | 55 | — |
| Transfer-in without any payment | 621 | — |
| Compensation benefit | — | 25 |
| Other | 21 | 18 |
| Total | 697 | 43 |

43. Non-operating expenses

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|---|--|--|
| Losses on damage or abandonment of non-current assets | 9 | 2 |
| Loss from debt restructuring | 13 | 934 |
| Compensation and late payment charges | 136 | 1,041 |
| Others | 4 | 142 |
| Total | 162 | 2,119 |

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

44. Income tax expenses

(1) Income tax expenses

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|------------------------------|--|--|
| Current income tax expenses | 108 | 1,261 |
| Deferred income tax expenses | 15,948 | 314 |
| Total | 16,056 | 1,575 |

(2) Current income tax expenses

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|--------------------------------------|--|--|
| Current income tax — PRC | — | 730 |
| Under-provision in prior years — PRC | 108 | 531 |
| Total | 108 | 1,261 |

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

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

For the year ended 31 December 2019

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

44. Income tax expenses (Continued)

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

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|--|---|---|
| Total profit | (198,455) | (290,638) |
| Income tax calculated at the applicable tax rate of 25% | (49,614) | (72,660) |
| Tax effect of non-taxable income | 2,519 | 2,930 |
| Tax effect of non-deductible expenses | 189 | 8,494 |
| Tax effect of the Company's losses in current year | 46,065 | 58,360 |
| The effect on reverse of deferred income tax assets recognized earlier | 16,789 | 3,920 |
| Under-provision in prior years | 108 | 531 |
| Total | 16,056 | 1,575 |

Note: 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.

45. Auditors' remuneration

The auditors' remuneration for the year was RMB1,800 thousand (2018: RMB1,800 thousand).

For the year ended 31 December 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 (Continued)

46. Remuneration of Directors, Supervisors and Employees

(1) Remuneration of Directors and Supervisors

- 1) The amount paid or payable as remuneration to the 22 (2018: 24) directors and supervisors are as follows:

For the year ended 31 December 2019:

| Name | Fees | Salary | Other benefits (i) | Employer's contribution to retirement benefit scheme | Total |
|--------------------|------------|------------|--------------------|--|--------------|
| Directors | | | | | |
| Ji Chuanpai | — | — | — | — | — |
| Wu Bin | — | — | — | — | — |
| Li Xiaobing | — | — | — | — | — |
| Yang Wenjian | — | — | — | — | — |
| Shang Da | — | 381 | 79 | 50 | 510 |
| Liu Jia | — | 180 | 42 | 28 | 250 |
| Peng Liang | — | — | — | — | — |
| Zang Furong | — | — | — | — | — |
| Liu Hong | 35 | — | — | — | 35 |
| Sun Fang | 60 | — | — | — | 60 |
| Yang Qing | 30 | — | — | — | 30 |
| Wu Tak Lung | 100 | — | — | — | 100 |
| Cui Enqing | 100 | — | — | — | 100 |
| Chen Ji | 100 | — | — | — | 100 |
| Wu Changqi | 100 | — | — | — | 100 |
| Chow Bing Chuen | 50 | — | — | — | 50 |
| Shi Hongying | 50 | — | — | — | 50 |
| Subtotal | 625 | 561 | 121 | 78 | 1,385 |
| Supervisors | | | | | |
| Zhang Zhibing | — | — | — | — | — |
| Zhang Chuanshui | 20 | — | — | — | 20 |
| Zhao Meng | — | — | — | — | — |
| Yan Mengmeng | — | 228 | 58 | 39 | 325 |
| Zhang Bo | — | 157 | 32 | 22 | 211 |
| Subtotal | 20 | 385 | 90 | 61 | 556 |
| Total | 645 | 946 | 211 | 139 | 1,941 |

Notes: (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)

For the year ended 31 December 2019

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

46. Remuneration of Directors, Supervisors and Employees (Continued)

(1) Remuneration of Directors and Supervisors (Continued)

- 1) The amount paid or payable as remuneration to the 22 (2018: 24) directors and supervisors are as follows: (Continued)

For the year ended 31 December 2018:

| Name | Fees | Salary | Other benefits (i) | Employer's contribution to retirement benefit scheme | Total |
|--------------------|------------|--------------|--------------------|--|--------------|
| Directors | | | | | |
| Ji Chuanpai | — | — | — | — | — |
| Li Xiaobing | — | — | — | — | — |
| 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 Changqi | 100 | — | — | — | 100 |
| Chow Bing Chuen | 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 |

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

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**46. Remuneration of Directors, Supervisors and Employees** (Continued)**(2) Five highest paid individuals**

During the year, of the five individuals with the highest remuneration in the Group, one (2018: two) were directors. The remuneration of the remaining four individuals (2018: three) were as follows:

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|---|--|--|
| Basic salaries and allowance | 1,554 | 1,326 |
| Employer's contributions to retirement benefit scheme | 176 | 165 |
| Total | 1,730 | 1,491 |

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

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|--|--|--|
| HKD0-HKD1,000,000 (equivalent to RMB895,800) | 4 | 3 |
| Total | 4 | 3 |

During the year, no remunerations 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) Remunerations of Senior Management

The remunerations of Senior Management fall within the following band:

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|--|--|--|
| HKD0-HKD500,000 (equivalent approximately to RMB447,900) | — | 1 |
| HKD500,001-HKD1,000,000 (equivalent approximately RMB447,901 to RMB895,800) | 1 | — |
| Total | 1 | 1 |

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

For the year ended 31 December 2019

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

47. 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 16% for the year ended 31 December 2019 (2018: 19%) of the employees' basic salaries, which is subject to certain cap as stipulated by relevant local authority. Contributions to this retirement scheme are charged to the consolidated statement of comprehensive income as and when incurred. Under this scheme, the Group has no obligation for post-retirement benefit beyond the annual contributions.

For the year ended 31 December 2019, contributions from retirement benefit scheme recognized in income statement was RMB5,303 thousand (2018: RMB6,296 thousand)

48. Dividends

(1) As the cumulative distributable profits in 2019 are insufficient to pay dividend, the directors did not propose payment of final dividend for 2019.

(2) For the reporting period, the Company did not distribute any dividends.

49. Distributable reserve

As at 31 December 2019, the Company's undistributed profits available for distribution to shareholders were RMB-469,672 thousand (undistributed profits as at 31 December 2018: RMB-367,582 thousand)

50. Other comprehensive income

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|---|---|---|
| Other comprehensive income not to be reclassified to profit or loss: | | |
| Changes in fair value of other equity instruments investments | (179) | 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 | 622 | (41) |
| Exchange differences from retranslation of financial statements | 32 | 20 |
| Subtotal | 654 | (21) |
| Total | 475 | 3,607 |

For the year ended 31 December 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 (Continued)

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

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|--|--|--|
| Net profit | (214,511) | (292,213) |
| Add: Impairment loss of credit | 95,885 | 190,233 |
| Impairment loss of assets | 46,318 | 32,117 |
| Fixed assets depreciation | 1,856 | 2,236 |
| Amortization of intangible assets | 1,366 | 1,473 |
| Amortization of long-term prepaid expenses | 1,735 | 17 |
| Depreciation of right-of-use assets | 2,660 | — |
| (Loss)/gain on disposal of fixed assets, intangible assets and other long-term assets | 114 | (47) |
| Loss on scrapping of fixed assets | (12) | 2 |
| Loss/(gain) on the changes in fair value | 13,475 | 3,282 |
| Financial expenses | (6,115) | 706 |
| Loss/(gain) on investment | 195 | 10,224 |
| Decrease/(increase) in deferred income tax assets | 16,789 | 1,408 |
| Increase/(decrease) in deferred income tax liabilities | (841) | (1,094) |
| Decrease/(increase) of inventories | 5,717 | 13,514 |
| Decrease/(increase) in operating accounts receivable | 4,837 | (20,810) |
| Increase/(decrease) in operating accounts payable | (40,122) | (21,087) |
| Net cash flow used in operating activities | (70,654) | (80,039) |

52. Changes in cash and cash equivalents

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|---|--|--|
| Bank balances and cash at the end of year | 187,707 | 186,519 |
| Less: Bank balances and cash at beginning of year | 186,519 | 325,612 |
| Cash equivalents at the end of year | — | — |
| Less: cash equivalents at beginning of year | — | — |
| Net change in cash and cash equivalents | 1,188 | (139,093) |

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

For the year ended 31 December 2019

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

53. Cash and cash equivalents

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|--|--|--|
| Bank balances and cash | 217,264 | 199,925 |
| Less: Restricted bank deposits | 29,557 | 13,406 |
| | 187,707 | 186,519 |
| Representing: | | |
| Cash in hand | 34 | 68 |
| Deposits held at call with banks | 187,547 | 186,451 |
| Other currencies held at call with banks | 126 | — |
| Cash and cash equivalents at the end of the year | 187,707 | 186,519 |

54. Major non-cash transactions

During the year, certain advertising customers settled the obligation payable to the Group of RMB1,928 thousand through transferring other inventory at fair value of RMB1,928 thousand.

IX. CHANGES IN CONSOLIDATED SCOPE

1. Qingyou Information was deregistered on 28 August 2019, and is no longer included in the scope of consolidation.
2. Community Travelling was deregistered on 30 September 2019 and is no longer included in the scope of consolidation.
3. Community Business was deregistered on 29 September 2019, and is no longer included in the scope of consolidation.

For the year ended 31 December 2019

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

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

| Name of subsidiary | Primary operation place | Registered place | Business nature | Registered capital | Shareholding percentage (%) | | Acquisition methods |
|--|---------------------------|---------------------------|--|--------------------|-----------------------------|----------|--|
| | | | | | direct | indirect | |
| BYD Logistics Company Limited | Beijing, PRC | Beijing, PRC | Logistics and warehousing | 30,000 | 92.84 | — | Establishment |
| Beiqing CeCi Advertising (Beijing) Limited | Beijing, PRC | Beijing, PRC | Advertising Services | 80,000 | 84.69 | — | Business Combination involving entities not under common control |
| Beiqing Beiqing Outdoor Advertisement 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. | 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 |
| Beiqing Qingyou Information Technology Co., Ltd. (Note 1) | 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 YOUNTH (AMERICA) LLC | California, United States | California, United States | Travel Rental | 8,800 | — | 60.00 | Establishment |
| Beiqing Community Travel (Beijing) Corporation Limited (Note 2) | Beijing, PRC | Beijing, PRC | Travelling service | 300 | — | 52.661 | Establishment |
| Beiqing Beiqing Community and Trading Corporation Limited (Note 3) | Beijing, PRC | Beijing, PRC | Commerce | 100 | — | 52.661 | Establishment |

Note 1: Qingyou Information was deregistered on 28 August 2019.

Note 2: Community Travelling was deregistered on 30 September 2019.

Note 3: Community Business was deregistered on 29 September 2019.

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

For the year ended 31 December 2019

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 2019 |
|--|-------------------------------------|--|--|---|
| BYD Logistics Company Limited | 7.16 | (1,459) | — | 3,734 |
| Beijing Community Media Technology (Beijing) Co., Ltd. | 47.339 | (10,889) | — | 19,331 |

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

| Name of subsidiary | As at 31 December 2019 | | | | | | As at 31 December 2018 | | | | | |
|--|------------------------|--------------------|--------------|---------------------|-------------------------|-------------------|------------------------|--------------------|--------------|---------------------|-------------------------|-------------------|
| | 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 | 105,037 | 400 | 105,437 | 53,266 | — | 53,266 | 212,419 | 5,291 | 217,710 | 145,219 | — | 145,219 |
| Beijing Community Media Technology (Beijing) Co., Ltd. | 57,651 | 1,760 | 59,411 | 18,532 | 44 | 18,576 | 65,425 | 15,452 | 80,877 | 17,330 | — | 17,330 |

| Name of subsidiary | For the year ended 31 December 2019 | | | | For the year ended 31 December 2018 | | | |
|--|-------------------------------------|------------|----------------------------|-------------------------------------|-------------------------------------|------------|----------------------------|-------------------------------------|
| | 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 | 134,059 | (20,371) | (18,302) | (65,518) | 232,020 | (1,125) | (1,125) | 76,220 |
| Beijing Community Media Technology (Beijing) Co., Ltd. | 46,517 | (23,002) | (23,002) | (23,222) | 51,705 | (12,454) | (12,454) | 6,268 |

For the year ended 31 December 2019

(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 (%) | | Voting percentage (%) | Business structure |
|--|------------------|-------------------------|---|------------------|----------|-----------------------|---------------------------|
| | | | | Direct | Indirect | | |
| Beijing Leisure Trend Advertising Company Limited | PRC | Beijing | Design, production, agency advertising | 49.04 | — | 49.04 | Limited liability company |
| Beijing Beijing 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 Times Consulting Co., Ltd | Beijing | Beijing | Economic information consulting, organizing cultural activities | 30.00 | — | 30.00 | Limited liability company |
| Beijing Beijing 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 | Technical services, technology development | — | 30.00 | 30.00 | Limited liability company |
| Beijing International Advertising Media Group Co., Ltd | 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)

For the year ended 31 December 2019

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

2. Interests in associates *(Continued)*

(2) Financial information for associates

| Item | As at 31 December 2019/for the year ended 31 December 2019 | As at 31 December 2018/for the year ended 31 December 2018 |
|--|---|---|
| Associates: | | |
| Total book value in investment | 9,738 | 22,140 |
| Aggregated amounts per shareholding percentage for the followings: | | |
| — net profits | (2,355) | (12,415) |
| — other comprehensive income | 622 | (41) |
| — total comprehensive income | (1,733) | (12,456) |

(3) Excess losses from associates

| Name of associates | Accumulated unrecognized losses in the previous years on 31 December 2018 | Unrecognized loss for the year (or net profits shared in the year) | Accumulated unrecognized losses in the previous years on 31 December 2019 |
|--|--|---|--|
| Beijing Leisure Trend Advertising Company Limited | (4,963) | (460) | (5,423) |
| Beijing Beiqing Shengda Automobile Service Company Limited | (1,195) | 2 | (1,193) |
| Beijing Beiqing Top Advertising Limited | (12,618) | (1) | (12,619) |
| Hebei Jujingcai E-commerce Company Limited | (856) | (16) | (872) |
| BY Times Consulting Co., Ltd. | (62) | (37) | (99) |
| Total | (19,694) | (512) | (20,206) |

XI. DISCLOSURE OF FAIR VALUES**1. Value of assets and liabilities measured at fair value at the end of the year and fair value measure level**

| Item | Fair value as at 31 December 2019 | | | Total |
|---|--------------------------------------|--------------------------------------|--------------------------------------|----------------|
| | Level 1 fair value measurement | Level 2 fair value measurement | Level 3 fair value measurement | |
| 1. Fair value measurement on recurred basis | | | | |
| (I) Other non-current financial assets | — | — | 54,356 | 54,356 |
| (II) Investment in other equity instruments | — | — | 215,923 | 215,923 |
| (III) Investment property | — | 131,832 | — | 131,832 |
| 1. Leased building | — | 131,832 | — | 131,832 |
| Total assets at fair value on recurred basis | — | 131,832 | 270,279 | 402,111 |

- (1) The fair value of the Group's other non-current financial assets as at 31 December 2019 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 2019 is determined based on the valuation conducted by the Group using the income approach;
- (3) The fair value of the Group's investment properties as at 31 December 2019 is determined based on the recent market value of properties located at the same place with similar condition.

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

For the year ended 31 December 2019

XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1. Relationships of related parties

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

| Relationship | Name of related party |
|---|--|
| Parent company and ultimate controlling company | BYDA |
| Subsidiary of BYDA | Beijing International Investment Consultancy (Beijing) Co., Limited |
| Subsidiary of BYDA | Beijing Beijing Advertising Co., Limited |
| Subsidiary of BYDA | Beijing Youth Journal Agency |
| Subsidiary of BYDA | Legal Evening Agency |
| Subsidiary of BYDA | Beijing Science and Technology News Agency |
| Subsidiary of BYDA | Beijing Education Media Co. Limited |
| Subsidiary of BYDA | Beijing Youth Weekend Media Co. Limited |
| Subsidiary of BYDA | Beijing Beijing Culture and Arts Company |
| Subsidiary of BYDA | Beijing China Open Promotion Co., Ltd. |
| Subsidiary of BYDA | Beijing Youth Daily Network Communication Technology Co., Ltd. |
| Subsidiary of BYDA | Beijing Evening Education Consultancy Co., Ltd. |
| Associate of the Company | Beijing Beijing Top Advertising Limited |
| Associate of the Company | Beijing Leisure Trend Advertising Company Limited |
| Associate of the Company | Beijing Beisheng United Insurance Agency Co., Limited |
| Associate of the Company | Beijing Beijing Shengda Automobile Service Company Limited |
| Associate of the Company | Hebei Jujingcai E-commerce Company Limited |
| Associate of the Company | BY Time 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.

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 of 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 Teenager Daily", "Middle School Newsletter News", "Beijing Today" and so on.

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

| Parent company | As at 1 January 2019 | Increasing during the period | Decreasing during the period | As at 31 December 2019 |
|----------------|----------------------------|------------------------------------|------------------------------------|------------------------------|
| 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 2019 | As at 1 January 2019 | As at 31 December 2019 | As at 1 January 2019 |
| 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)

For the year ended 31 December 2019

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 2019 | For the year ended 31 December 2018 |
|-----------------------|---|-------------------------------------|-------------------------------------|
| BYDA (Note) | Contracted price | 13,868 | 11,489 |
| Subsidiaries of BYDA | Contracted price | 4,091 | 2,792 |
| Other related parties | Contracted price | 284 | 2,103 |
| Total | | 18,243 | 16,384 |

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 2019 | For the year ended 31 December 2018 |
|---------------------------|---|-------------------------------------|-------------------------------------|
| BYDA | Contracted price | 385 | 332 |
| Subsidiaries of BYDA | Contracted price | 2,087 | 14,494 |
| Associates of the Company | Contracted price | — | 92 |
| Other related parties | Contracted price | — | 1,428 |
| Total | | 2,472 | 16,346 |

(3) Leasing — The Group as lessor

| Lessee | Nature of assets leased | Date of commencement | Date of termination | Basis for rental income for the year | Rental income recognized |
|--------|-------------------------|----------------------|---------------------|--------------------------------------|--------------------------|
| BYDA | Building | 2019-1-1 | 2021-12-31 | Contracted price | 6,250 |

For the year ended 31 December 2019

(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**

| Name of lessor | Nature of assets leased | Date of commencement | Date of termination | Basis for rental income | Rental income recognized for the year |
|-----------------------|-------------------------|----------------------|---------------------|-------------------------|---------------------------------------|
| BYDA | Building | 2019-1-1 | 2021-12-31 | Contracted price | 1,751 |
| BYDA | Building | 2019-7-1 | 2019-12-31 | Contracted price | 651 |
| Chongqing Youth Daily | Building | 2016-4-22 | 2019-4-21 | Contracted price | 123 |

(5) Capital transactions

| Lessee | Balance as of 31 December 2018 | Lending | Borrowing | Balance as of 31 December 2019 |
|--|--------------------------------|----------------|----------------|--------------------------------|
| Beijing Beiqing Top Advertising Limited | 65,000 | 95,000 | 160,000 | — |
| Beijing Education Media Co., Limited | 5,200 | 113,000 | 118,200 | — |
| BYDA | — | 100,000 | 100,000 | — |
| Beijing Beiqing Culture and Arts Company | — | 5,200 | 5,200 | — |
| Beijing Youth Travel Service Co., Ltd. | — | 18,000 | 18,000 | — |
| Total | 70,200 | 331,200 | 401,400 | — |

Note: The interest income from related parties of RMB6,560 thousand was recognised for the year ended 31 December 2019.

(6) Remuneration for key management personnel

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|---|-------------------------------------|-------------------------------------|
| Remuneration for key management personnel | 2,451 | 2,756 |

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)

For the year ended 31 December 2019

XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

3. Related party transactions (Continued)

(7) Financial guarantee from related parties

Nil

(8) Continuing Connected transactions

Save as the connected transactions and continuing connected transactions disclosed in the chairman's statement of the 2019 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 2019, 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 | For the year ended 31 December 2019 | | | Amount for the year |
|--|--------------------------|-------------------------------------|--|------------|---------------------|
| | | Date of announcement | Nature of transaction | Annual Cap | |
| Mutual Property Tenancy Agreement | BYDA | 2018-11-12 | Rental income | 6,812 | 6,250 |
| | | | Rental expense | 6,000 | 1,751 |
| Advertising Business Agreement | BYDA | 2018-11-12 | Payment of exclusive advertising right | 13,500 | 5,317 |
| Printing Framework Agreement | BYDA & Subsidiaries | 2018-11-12 | Income from printing services and printing materials | 13,000 | 1,691 |
| Advertising Agency Framework Agreement | BYDA & Subsidiaries | 2018-11-12 | Advertising placement income | 5,000 | 712 |
| | | 2019-2-27 | Advertising placement expense | 16,000 | 12,624 |

For the year ended 31 December 2019

(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. Current accounts balances with related parties****(1) Accounts receivable due from related parties**

| Related parties | As at 31 December 2019 | | As at 31 December 2018 | |
|---------------------------|------------------------|-------------------------|------------------------|-------------------------|
| | Carrying amount | Provision for bad debts | Carrying amount | Provision for bad debts |
| BYDA | 5,657 | — | 5,433 | — |
| Associates of the Company | 47,884 | 47,420 | 47,884 | 40,747 |
| Subsidiaries of BYDA | 115,927 | 14,331 | 110,411 | — |
| Other related parties | — | — | 96 | — |
| Total | 169,468 | 61,751 | 163,824 | 40,747 |

(2) Other receivables due from related parties

| Related parties | As at 31 December 2019 | | As at 31 December 2018 | |
|---------------------------|------------------------|-------------------------|------------------------|-----------------|
| | Carrying amount | Provision for bad debts | Carrying amount | Carrying amount |
| Associates of the Company | 39 | 39 | 65,039 | 39 |
| Subsidiaries of BYDA | 5,178 | 2,695 | 12,231 | — |
| Other related parties | — | — | 34 | — |
| Total | 5,217 | 2,734 | 77,304 | 39 |

(3) Accounts payable due to related parties

| Related parties | As at | As at |
|-----------------------|------------------|------------------|
| | 31 December 2019 | 31 December 2018 |
| BYDA | 501 | 334 |
| Subsidiaries of BYDA | 736 | 242 |
| Other related parties | 616 | 675 |
| Total | 1,853 | 1,251 |

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

For the year ended 31 December 2019

XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

4. Current accounts balances with related parties (Continued)

(4) Other payables due to related parties

| | As at 31 December 2019 | As at 31 December 2018 |
|---------------------------|------------------------------|------------------------------|
| Related parties | | |
| BYDA | 816 | 3,816 |
| Subsidiaries of BYDA | 150 | — |
| Associates of the Company | 100 | — |
| Other related parties | 77 | — |
| Total | 1,143 | 3,816 |

(5) Prepayment due to related parties

| | As at 31 December 2019 | As at 31 December 2018 |
|------------------------|------------------------------|------------------------------|
| Related parties | | |
| BYDA | 7,861 | 8,555 |
| Total | 7,861 | 8,555 |

XIII. COMMITMENTS AND CONTINGENCIES

1. 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 2019, the Group had contracted for the minimum lease payments under non-cancelable operating leases during following periods:

| Period | As at 31 December 2019 | As at 31 December 2018 |
|-----------------|------------------------------|------------------------------|
| Within one year | 683 | 3,980 |
| 1–2 years | 281 | 2,988 |
| 2–3 years | 95 | 2,223 |
| After 3 years | — | — |
| Total | 1,059 | 9,191 |

XIII. COMMITMENTS AND CONTINGENCIES (Continued)

1. In addition to the commitments disclosed in the other notes to the financial statements, the Group has the following commitments (Continued)

(2) The Group as Lessor

As at 31 December 2019, the Group had contracted with tenants for the following future minimum lease payments:

| Period | As at 31 December 2019 | As at 31 December 2018 |
|-----------------|------------------------------|------------------------------|
| Within one year | 7,507 | 5,962 |
| 1-2 years | 7,017 | 5,395 |
| 2-3 years | 205 | 5,381 |
| After 3 years | 256 | — |
| Total | 14,985 | 16,738 |

(3) Use rights of advertising boards

As at 31 December 2019, 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 2019 | As at 31 December 2018 |
|-----------------|------------------------------|------------------------------|
| Within one year | — | 1,154 |
| Total | — | 1,154 |

2. Contingencies**(1) Pending Litigation**

In 2019, Shanghai Xingjing Investment Management Center (Limited Partnership) (hereinafter referred to as "Shanghai Xingjing") and Teyin Nantong Equity Investment Fund Management Center (Limited Partnership) (hereinafter referred to as "Teyin Nantong"), which are also the minority shareholders of the Company's subsidiary, Beiqing Community Media, filed separate lawsuits to the court, claim Beijing Media and Beiqing Community Media to buy back Beiqing Community Media's shares they hold.

After the Group's preliminary assessment and refer to the attorney's opinion, the lawsuits are likely to be rejected by the court. Currently, the case is still pending.

(2) The Group has no other material contingencies to be disclosed except the above up to 31 December 2019.

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

For the year ended 31 December 2019

XIV. POST BALANCE SHEET EVENTS

COVID-19 broke out since January 2020 at the national level, the domestic relevant prevention and control work is going on continuously and effectively, and the country still needs to guard against foreign input risk. The main business of the Company is located in Beijing. The COVID-19 has a certain impact on the Group's customer negotiation, logistics and transportation business, etc. The impact depends on the situation of epidemic prevention and control, the duration and the implementation of various control policies. The Company will continue to pay close attention to COVID-19 epidemic situation, evaluate and actively respond to its impact on the Company's financial position, operating performance and other aspects.

XV. SEGMENT INFORMATION

The price of intra-segment transactions is determined with reference to market price and classified as follows:

| 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. |
| 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. |

For the year ended 31 December 2019

(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 2019**

| Item | Trading of | | | | | Elimination | Total |
|---|-------------|----------|------------------------|--------------|--------------------|-------------|-----------|
| | Advertising | Printing | print-related material | Distribution | Unallocated amount | | |
| Operating income | 97,831 | 12,461 | 121,599 | 535 | 18,219 | (30,718) | 219,927 |
| Including: Income from external transactions | 96,965 | 3,457 | 102,620 | 535 | 16,350 | — | 219,927 |
| Income from intra-segment transactions | 866 | 9,004 | 18,979 | — | 1,869 | (30,718) | — |
| Total operating costs | 140,998 | 12,359 | 120,869 | 1,274 | 18,686 | (30,718) | 263,468 |
| Provision for impairment | 70,738 | 1,605 | 15,662 | 27 | 54,171 | — | 142,203 |
| Gains on changes in fair value | — | — | — | — | (13,475) | — | (13,475) |
| Investment income | — | — | — | — | 35,361 | (35,556) | (195) |
| Gain on disposal of asset | — | — | — | — | 54 | — | 54 |
| Other income | — | — | — | — | 370 | — | 370 |
| Operating profit (loss) | (113,905) | (1,503) | (14,932) | (766) | (32,328) | (35,556) | (198,990) |
| Non-operating income and expenses | (70) | 55 | 541 | (2) | 11 | — | 535 |
| Total profit | (113,975) | (1,448) | (14,391) | (768) | (32,317) | (35,556) | (198,455) |
| Income tax expenses | 11,366 | 421 | 4,112 | — | 157 | — | 16,056 |
| Net profit | (125,341) | (1,869) | (18,503) | (768) | (32,474) | (35,556) | (214,511) |
| Total assets | 373,150 | 9,801 | 95,636 | 605 | 755,719 | (339,466) | 895,445 |
| Total liabilities | 87,263 | 4,951 | 48,315 | 940 | 33,072 | (74,093) | 100,448 |
| Supplementary information | | | | | | | |
| Depreciation and amortization expenses | 5,873 | 38 | 370 | 21 | 1,315 | — | 7,617 |
| Capital expenditure | 2,560 | — | — | 1 | 459 | — | 3,020 |
| Impairment of assets | 70,738 | 1,605 | 15,662 | 27 | 54,171 | — | 142,203 |
| 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)

For the year ended 31 December 2019

XV. SEGMENT INFORMATION (Continued)

2. 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 | 183,341 | 18,863 | 209,172 | 1,479 | 28,320 | (42,207) | 398,968 |
| Impairment of assets | 102,208 | 301 | 3,281 | 4 | 86,126 | 30,430 | 222,350 |
| 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 | — | — | — | — | — | — | — |

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

For the year ended 31 December 2019

(Amounts expressed in thousands of RMB unless otherwise stated
in the notes to the financial statements)**XVI. OTHER SIGNIFICANT EVENTS****1. Leasing****(1) Assets leased out under operating leases**

| Categories of assets leased out under operating leases | As at 31 December 2019 | As at 31 December 2018 |
|--|------------------------------|------------------------------|
| Investment properties and fixed assets | 132,846 | 152,670 |
| Total | 132,846 | 152,670 |

XVII. SUPPLEMENTARY INFORMATION**1. Supplementary information in relation to expenses by nature**

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|---|--|--|
| Cost of raw materials and inventory goods | 103,980 | 181,305 |
| Press production, printing and distribution and delivery charges | 36,087 | 56,251 |
| Advertising space and newspaper operation right transferring fee and agency fee | 44,746 | 60,361 |
| Employee remuneration, social security, provident fund, employee benefit, educational fee and union fee | 54,379 | 55,491 |
| Leasing, property, utilities and maintenance fee | 6,758 | 11,215 |
| Intermediary, professional services and labour costs | 6,810 | 16,601 |
| Travel, transportation, meeting and Business Hospitality | 4,799 | 5,386 |
| Office, information and communication costs | 3,068 | 3,193 |
| Sales tax and surcharge | 5,375 | 6,125 |
| Depreciation and amortization expense | 4,959 | 3,726 |
| Transportation and handling charges | 401 | 495 |
| Financial expenses | (8,052) | (1,308) |
| Others | 158 | 127 |
| Total | 263,468 | 398,968 |

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

For the year ended 31 December 2019

XVII. SUPPLEMENTARY INFORMATION (Continued)

2. Earnings per share

| Item | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|---|---|---|
| Comprehensive income attributable to shareholders of the Company | (196,063) | (273,703) |
| Weighted average number of issued ordinary shares (thousand shares) | 197,310 | 197,310 |
| Earnings per share (RMB) | (0.99) | (1.39) |

Diluted earnings per share and basic earnings per share for the two years ended 31 December 2018 and 2019 were the same, as no diluting events existed for both years.

3. Financial Instruments and risk management

Classification of financial instruments

| Item | As at 31 December 2019 | As at 31 December 2018 |
|--|------------------------------|------------------------------|
| Financial assets | | |
| Investment at fair value through profit or loss, at fair value | 54,356 | 52,028 |
| Loan and receivables (including cash and cash equivalents) | 431,160 | 593,863 |
| Financial liabilities, at amortised cost | 65,052 | 91,841 |

Major financial instruments of the Group include bank balances and cash, financial assets available for sale, notes receivable, accounts receivable, other receivables, other current assets, notes payable, accounts payable, employee benefit payables, tax payables, other payables, non-current liabilities due within one year and long-term borrowings and lease liabilities, 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.

XVII. SUPPLEMENTARY INFORMATION *(Continued)***3. Financial Instruments and risk management** *(Continued)***Classification of financial instruments** *(Continued)***(1) Objective and policies of risk management** *(Continued)*

1) Currency risk

The Group's functional currency is RMB which most of the transactions are denominated in. However, certain other receivables and 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.

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 2019 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.

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

For the year ended 31 December 2019

XVII. SUPPLEMENTARY INFORMATION *(Continued)*

3. Financial Instruments and risk management *(Continued)*

Classification of financial instruments (Continued)

(1) Objective and policies of risk management (Continued)

3) Credit risk

As at 31 December 2019, 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.

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.

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 (Continued)

Liquidity table

| Item | Less than 1 year | | 1-5 years | | Total undiscounted | | Carrying amount | |
|---|------------------|------------|------------|------------|--------------------|------------|-----------------|------------|
| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| Notes payable | 5,669 | 9,581 | — | — | 5,669 | 9,581 | 5,669 | 9,581 |
| Accounts payable | 10,306 | 14,309 | — | — | 10,306 | 14,309 | 10,306 | 14,309 |
| Other payables | 40,445 | 51,065 | — | — | 40,445 | 51,065 | 40,445 | 51,065 |
| Non-current liabilities due within one year | 239 | — | — | — | 283 | — | 239 | — |
| Long-term loans | — | — | — | 6,927 | — | 7,481 | — | 6,927 |
| Lease liabilities | — | — | 322 | — | 400 | — | 322 | — |

5) Fair value

The fair values of financial assets and liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- The fair value of financial guarantee contracts is determined by professional appraiser using default valuation model where the values of the liabilities associated with the guarantees are estimated based upon an analysis of the guaranteed companies' ability to repay their debts and the potential financial loss for the guarantors, assuming future defaults happen in different time periods.

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated balance sheet approximate their fair values.

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

For the year ended 31 December 2019

XVII. SUPPLEMENTARY INFORMATION (Continued)

4. Balance sheet of the Company

| Item | Notes | As at 31 December 2019 | As at 31 December 2018 |
|--|---------|------------------------------|------------------------------|
| Current assets: | | | |
| Bank balances and cash | | 138,504 | 114,638 |
| Accounts receivable | XVIII.1 | 101,238 | 144,635 |
| Prepayments | | 47,573 | 114,239 |
| Other receivable | | 2,181 | 2,281 |
| Inventories | | 1,897 | 2,770 |
| Other current assets | | 33,160 | 30,679 |
| Total current assets | | 324,553 | 409,242 |
| Non-current assets: | | | |
| Long-term equity investment | XVIII.2 | 272,626 | 313,525 |
| Other Investment in equity instruments | | 213,078 | 213,966 |
| Other non-current financial assets | | 2,717 | 2,361 |
| Investment properties | | 90,718 | 100,663 |
| Fixed assets | | 2,492 | 3,536 |
| Construction in progress | | — | 1,953 |
| Right-of-use assets | | 3,369 | — |
| Intangible assets | | 20,964 | 30,761 |
| Long-term prepaid expenses | | 3,267 | — |
| Other non-current assets | | — | 28,990 |
| Total non-current assets | | 609,231 | 695,755 |
| Total assets | | 933,784 | 1,104,997 |

For the year ended 31 December 2019

(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 2019 | As at 31 December 2018 |
|---|------------------------------|------------------------------|
| Current liabilities: | | |
| Account payable | 3,263 | 2,303 |
| Contractual liabilities | 20,562 | 23,639 |
| Employee benefit payables | 4,461 | 4,593 |
| Tax payables | 113 | 567 |
| Other payables | 38,295 | 104,449 |
| Total current liabilities | 66,694 | 135,551 |
| Total liabilities | 66,694 | 135,551 |
| Shareholders' equity: | | |
| Share capital | 197,310 | 197,310 |
| Capital reserves | 904,453 | 904,453 |
| Other comprehensive income | 104,068 | 104,334 |
| Surplus reserves | 130,931 | 130,931 |
| Undistributed profits | (469,672) | (367,582) |
| Total shareholders' equity | 867,090 | 969,446 |
| Total liabilities and shareholders' equity | 933,784 | 1,104,997 |

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

For the year ended 31 December 2019

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 2018 | 197,310 | 904,453 | 101,718 | 130,931 | (138,711) | 1,195,701 |
| Net profit | — | — | — | — | (228,871) | (228,871) |
| Other comprehensive income | — | — | 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 |
| Change in accounting policies | — | — | — | — | — | — |
| As at 1 January 2019 | 197,310 | 904,453 | 104,334 | 130,931 | (367,582) | 969,446 |
| Net profit | — | — | — | — | (102,090) | (102,090) |
| Other comprehensive income | — | — | (266) | — | — | (266) |
| Sub-total of the changes during the year | — | — | (266) | — | (102,090) | (102,356) |
| As at 31 December 2019 | 197,310 | 904,453 | 104,068 | 130,931 | (469,672) | 867,090 |

XVIII. EXPLANATORY NOTES TO MAJOR ITEMS OF THE COMPANY

1. Accounts receivable of the Company

| Item | As at 31 December 2019 | As at 31 December 2018 |
|--|------------------------------|------------------------------|
| Accounts receivable | 275,101 | 263,566 |
| Less: Provision for bad debts | 173,863 | 118,931 |
| Net accounts receivable | 101,238 | 144,635 |
| For reporting purpose, analysis as: | | |
| Non-current assets — long-term receivables | — | — |
| Current assets — accounts receivable | 101,238 | 144,635 |
| Total | 101,238 | 144,635 |

- (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 2019 | As at 31 December 2018 |
|--------------|------------------------------|------------------------------|
| 0-90 days | 6,410 | 8,463 |
| 91-180 days | 6,680 | 9,452 |
| 181-365 days | 6,971 | 7,846 |
| 1-2 years | 10,928 | 35,058 |
| Over 2 years | 70,249 | 83,816 |
| Total | 101,238 | 144,635 |

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

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

For the year ended 31 December 2019

XVIII. EXPLANATORY NOTES TO MAJOR ITEMS OF THE COMPANY (Continued)

1. Accounts receivable of the Company (Continued)

(2) Analysis of account receivable by categories:

| Item | As at 31 December 2019 | | | | As at 31 December 2018 | | | |
|--|----------------------------|---------------|-------------------------|--------|----------------------------|---------------|-------------------------|--------|
| | Balance of carrying amount | | Provision for bad debts | | Balance of carrying amount | | Provision for bad debts | |
| | Percentage | | Percentage | | Percentage | | Percentage | |
| | Amount | (%) | Amount | (%) | Amount | (%) | Amount | (%) |
| Accounts receivable with bad debt provision made on individual basis | 1,801 | 0.65 | 1,801 | 100.00 | 1,801 | 0.68 | 1,801 | 100.00 |
| Accounts receivable with bad debt provision made on group basis: | 273,300 | 99.35 | 172,062 | 62.96 | 261,765 | 99.32 | 117,130 | 44.75 |
| Aging group | 156,919 | 57.04 | 119,105 | 75.90 | 152,297 | 57.78 | 76,383 | 50.15 |
| Related party group | 116,381 | 42.31 | 52,957 | 45.50 | 109,468 | 41.54 | 40,747 | 37.22 |
| Total | 275,101 | 100.00 | 173,863 | | 263,566 | 100.00 | 118,931 | |

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

| Item | As at 31 December 2019 | | | As at 31 December 2018 | | |
|---------------|------------------------|----------------|-------------------------|------------------------|----------------|-------------------------|
| | Amount | Percentage (%) | Provision for bad debts | Amount | Percentage (%) | Provision for bad debts |
| | | | | | | |
| Within 1 year | 14,146 | 15.58 | 2,204 | 13,149 | 5 | 657 |
| 1-2 years | 5,353 | 39.94 | 2,138 | 33,405 | 10 | 3,340 |
| 2-3 years | 32,909 | 57.78 | 19,015 | 25,552 | 30 | 7,666 |
| 3-4 years | 25,513 | 75.47 | 19,255 | 21,910 | 50 | 10,955 |
| Over 4 years | 78,998 | 96.83 | 76,493 | 58,281 | 92.25 | 53,765 |
| Total | 156,919 | — | 119,105 | 152,297 | — | 76,383 |

(3) The top five accounts receivable as at 31 December 2019 represented 44.75% of the total accounts receivable.

For the year ended 31 December 2019

(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

(1) Classification of long-term equity investments

| Item | As at 31 December 2019 | | | As at 31 December 2018 | | |
|-----------------------------|----------------------------|-------------------------|----------------|----------------------------|-------------------------|----------------|
| | Balance of carrying amount | Provision for bad debts | Carrying value | Balance of carrying amount | Provision for bad debts | Carrying value |
| Investments in subsidiaries | 264,304 | — | 264,304 | 294,304 | — | 294,304 |
| Investments in associates | 18,991 | 10,669 | 8,322 | 19,221 | — | 19,221 |
| Total | 283,295 | 10,669 | 272,626 | 313,525 | — | 313,525 |

(2) Investments in subsidiaries

| Investee | Balance on | Increase in this year | Decrease in this year | Balance on | Provision for impairment in this year | Balance of impairment provision on |
|--|----------------|-----------------------|-----------------------|------------------|---------------------------------------|------------------------------------|
| | 1 January 2019 | | | 31 December 2019 | | 31 December 2019 |
| BYD Logistics Company Limited | 44,814 | — | — | 44,814 | — | — |
| Beiqing C&C 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 | — | 30,000 | 264,304 | — | — |

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

For the year ended 31 December 2019

XVIII. EXPLANATORY NOTES TO MAJOR ITEMS OF THE COMPANY (Continued)

2. Long-term equity investment of the Company (Continued)

(3) Investments in associates

| Investee | Balance on | | Changes in the current year | | | | | | | Balance of | |
|--|---------------|-----------------------|-----------------------------|--|---------------------------------------|--|---------------------------------|-----------------|------------------|-------------------------------|--|
| | 1 January | Additional investment | Decrease in investment | Investment gain or loss recognized under equity method | Other comprehensive income adjustment | Declaration of cash dividend or other equity | Provision for profit impairment | Others | 31 December 2019 | provision on 31 December 2019 | |
| Associates | | | | | | | | | | | |
| Beijing Leisure Trend Advertising Company Limited | — | — | — | — | — | — | — | — | — | — | |
| Beijing Beiqing Shengda Automobile Service Company Limited | — | — | — | — | — | — | — | — | — | — | |
| Beijing Beisheng United Insurance Agency Co. Limited | 1,587 | — | — | 255 | — | — | — | — | 1,842 | — | |
| BY Times Consulting Co., Ltd. | — | — | — | — | — | — | — | — | — | — | |
| Beiqing Transmedia Co., Ltd. | — | — | — | — | — | — | — | — | — | — | |
| Beijing Beiqing Top Advertising Limited | — | — | — | — | — | — | — | — | — | — | |
| Hebei Jujingcai E-commerce Company Limited | — | — | — | — | — | — | — | — | — | — | |
| Beijing International Advertising Media Group Co., Limited | 17,634 | — | — | (1,107) | 622 | — | — | (10,669) | 6,480 | 10,669 | |
| Total | 19,221 | — | — | (852) | 622 | — | — | (10,669) | 8,322 | 10,669 | |

XIX. APPROVAL OF FINANCIAL REPORT

This financial report was approved by the Board of the Company on 27 March 2020.

Beijing Media Corporation Limited

27 March 2020