



HK Stock Code: 1000

2020

INTERIM

REPORT

Beijing Media Corporation Limited

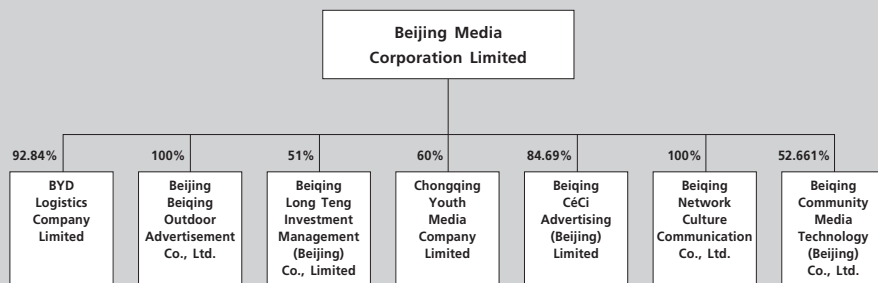
A joint stock company incorporated
in the People's Republic of China with limited liability

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COMPANY PROFILE

Beijing Media Corporation Limited (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 30 June 2020)



COMPANY WEBSITE

www.bjmedia.com.cn

STOCK INFORMATION

Stock Code: 1000

Board Lot: 500 shares

Number of Shares Issued (as at 30 June 2020): 197,310,000 shares

Market Capitalisation (as at 30 June 2020): HK\$147.98 million

Financial Year End: 31 December

Bloomberg’s Stock Machine Search Code: 1000HKEquity

Reuters Stock Machine Search Code: 1000.HK

AS AT 30 JUNE 2020

EXECUTIVE DIRECTORS

Ji Chuanpai (*Chairman*)
Wu Bin (*Acting President*)
Shang Da (*Vice President*)
Liu Jia

NON-EXECUTIVE DIRECTORS

Zang Furong ^{Note 1}
Sun Fang
Yang Qing

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cui Enqing
Chen Ji
Wu Changqi
Shi Hongying
Chan Yee Ping, Michael ^{Note 2}

JOINT COMPANY SECRETARIES

Shang Da
Yu Leung Fai

AUDIT COMMITTEE

Chan Yee Ping, Michael (*Chairman*) ^{Note 2}
Wu Changqi
Cui Enqing

REMUNERATION COMMITTEE

Cui Enqing (*Chairman*)
Chen Ji
Wu Changqi

NOMINATION COMMITTEE

Ji Chuanpai (*Chairman*)
Chen Ji
Wu Changqi

AUTHORISED REPRESENTATIVES

Ji Chuanpai
Wu Bin

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

Note:

- Ms. Zang Furong resigned as the non-executive director ("Director") of the board (the "Board") of directors of the Company on 14 August 2020 due to reach of retirement age. Please refer to the announcement of the Company dated 14 August 2020 for details.
- Upon the approval at the annual general meeting of the Company convened on 19 June 2020, Mr. Chan Yee Ping, Michael was appointed as the independent non-executive Director of the seventh session of the Board of the Company. At the Board meeting convened on the same day, Mr. Chan Yee Ping, Michael was elected as the chairman of the Audit Committee of the Company. Please refer to the announcement of the Company dated 19 June 2020 for details.

Dear Shareholders,

On behalf of the Group, I hereby present the report on interim results of the Group for the six months ended 30 June 2020 (the "First Half of 2020").

BUSINESS REVIEW OF THE GROUP

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, among other things, newsprint, ink, lubricants, films, PS boards and rubber sheets to customers including commercial printers.

In the First Half of 2020, the total operating revenue of the Group was RMB74,279 thousand (corresponding period of 2019: RMB112,729 thousand), representing a decrease of 34.11% as compared with that for the corresponding period of 2019. Net loss attributable to shareholders of the Company was RMB37,121 thousand (net loss attributable to shareholders of the Company for the corresponding period of 2019: RMB88,453 thousand), representing a year-on-year decrease of approximately 58.03%.

In the First Half of 2020, due to the impact of the COVID-19 epidemic and market policies, the macroeconomic growth slowed down, the advertising market of print media continued to be sluggish, and the Group's operating income has also declined.

In light of a severe operating situation, the Group enhanced its comprehensive competitiveness from various aspects for growth and stability:

1. Aiming at developing convergence media and strengthening the use of new media platforms: the Group integrated superior advertising resources including newspapers, WeChat, Weibo, Beijing Headlines and YNET.com and endeavored to drive marketing performance through planning;
2. Making breakthroughs in key industries to boost the whole segments: based on the four key business divisions of finance, automobile, real estate and the Internet in advertising industry, the Group established the education division of advertising industry to further improve the business ecology and stabilize the market share;
3. Focusing on optimizing and adjusting the business segment, the Group cleaned up loss-making companies, and actively recovered the receivables of advertising business.

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

In the First Half of 2020, revenue from advertising business of the Group was RMB39,517 thousand (corresponding period of 2019: RMB44,434 thousand), representing a decrease of 11.07% as compared with the corresponding period of last year.

In the First Half of 2020, advertising income was affected as the marketing activities significantly reduced from February to May 2020 resulting from the COVID-19 epidemic; coupled with the continuous impact of new media, advertising in the traditional print media market was still showing a downward trend.

From a structural perspective, the Company has actively integrated advantageous resources and built a convergence media platform to develop a variety of new media advertising forms for customers, such as Weibo, WeChat, APP and website, based on traditional print media advertising. However, as the proportion of new media advertising revenue in overall advertising revenue of the Company is still small, the increase in new media advertising revenue is not enough to make up for the decline in traditional print media advertising revenue, and the overall advertising revenue of the Company still has declined. This also shows that there is still room for optimization of the advertising revenue structure of the Company. In the next step, the Company will continue to adjust the advertising business structure, expand the new media advertising market, and strive to increase revenue.

From an industrial perspective, the Company's advertising operations continued to focus on key industries, so as to stabilize the original business market share while expanding advantageous businesses. The Company's overall advertising revenue declined, but advertising revenue in many of divisions has shown an upward trend. For example, the Company's advertising revenue from the automobile division increased by 82.21% as compared with the corresponding period of last year; advertising revenue from divisions such as the Internet+, enrollment and recruitment, food and beverage, pension, government (announcements) which are closely related to people's daily consumption all increased as compared with the corresponding period of last year. However, advertising revenue from divisions such as tourism, performances, sports, film and television and real estate which are severely affected by the epidemic declined as compared with the corresponding period last year.

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

In the First Half of 2020, while consolidating the original advantageous industry advertising, the Company focused on the use of convergence media marketing platforms, enhanced the integration of superior resources and formulated a distribution plan that matches the clients' industries. The following measures are mainly adopted:

1. Pushing forward advertising distribution starting with planning

The finance business division of the advertising industry launched a series of planning in themed advertising based on market conditions, such as "the finance industry is in action against the epidemic" and "the finance industry helps resume work and production", to actively provide customers with publicity ideas and promote advertising bidding and the actual distribution of orders signed by customers, and achieved sales promotion with content and stabilized market share.

2. Exploring opportunities in key industries, improving business ecology

The Company established the advertising industry education department, combined with the original advantageous educational resources, and extended the experience of the previous four key industry departments to the education industry, striving to integrate and explore industry opportunities and increase advertising revenue.

3. Enhancing performance appraisal management and implementing effective incentives

The Company implemented performance appraisal and reward-punishment-parallel mechanism, and engaged professional consultants to review and promote the reform of the operating personnel remuneration performance system.

Film and Television Business

In the First Half of 2020, the TV series "Setting Sail" (《启航》) presented by the Company as the lead-presenter in the theme of urban reform and development achieved satisfactory social and economic benefits, and won the highest award in the literature and art circles of Beijing — the 9th Beijing Literature and Art Award. Due to the impact of the COVID-19 epidemic, the film and television industry was significantly affected. The Company's film and television business was also affected and significantly reduced in the First Half of 2020.

BUSINESS REVIEW OF THE GROUP *(Continued)***Results of Major Subsidiaries of the Group**

Beijing Beiqing Outdoor Advertisement Co., Ltd. ("Beiqing Outdoor") is a wholly-owned subsidiary of the Company which principally engages in the operation of urban outdoor single column billboards. Affected by the COVID-19 epidemic, traditional advertising business remained severe, and due to the expiration of the operation rights of previously operated single column billboards, Beiqing Outdoor's business significantly reduced in the First Half of 2020.

Beiqing Community Media Technology (Beijing) Co., Ltd. ("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, and transformed from the original traditional media to a government-affiliated convergence media service business model. Up to now, Beiqing Community Media has a total of 7 newspapers of Beiqing Community Daily across the whole urban area of Beijing, including Chaoyang, Wangjing, Shunyi, Changping, Daxing and Beijing Administrative Sub-centers, reaching nearly more than one million readers. At the same time, the branches and marketing department of Beiqing Community Media operated a total of 82 new media accounts on WeChat, Weibo, headlines accounts, Douyin, etc.

In the First Half of 2020, based on the operation of existing government service project, Beiqing Community Media continued to extend government service and social group procurement cooperation, and undertook new media operation projects. In particular, Beiqing Community Media undertook the cooperation with the government departments and social organizations to publish newspapers, establishing a total of 3 magazines, including "Shichahai Culture Monthly" (《什刹海文化月刊》), "《Beixinqiao Scenery》" (《北新橋風采》) and "News" (《建聞》). It also continued to cooperate with the Chaoyang District Government of Beijing, and operated Chaoyang APP projects for Chaoyang District Convergence Media Center, and provided public opinion service of Chaoyang District Government. It provided comprehensive services such as monitoring of public opinion in the public opinion studio for the Network Information Office of CPC Beijing Xicheng District Committee. It also provided short video shooting services for Xicheng District Convergence Media Center; and launched new media publicity and promotion services for Management Committee of Beijing Chaoyang National Cultural Industry Innovation Experimental Zone.

BUSINESS REVIEW OF THE GROUP *(Continued)***Results of Major Subsidiaries of the Group** *(Continued)*

Affected by the COVID-19 epidemic, Beijing Community Media's offline activities significantly reduced in the First Half of 2020. In the second half of 2020, Beijing Community Media will strive for steady progress, and expand more cooperation projects while promoting government services to seek new profit growth points.

Beijing Network Culture Communication Co., Ltd. ("Beijing Network Culture") is a wholly-owned subsidiary of the Company. Beijing Network Culture, as a limited partner, formed Beijing Runxin Dingtai Investment Centre (limited partnership) (the "Fund") in 2013. The Fund also actively promoted various investment projects to realize exits via listing, mergers and acquisitions and restructuring, repurchase and NEEQ market transfer, etc. In particular, Well Pharmaceutical, Jushri Technologies and Bright Laser which the Fund invested and which were listed last year have begun to reduce shareholdings and exit, and Beijing TINAVI Medical Technology Co., Ltd. the Fund invested was officially listed on the Science and Technology Innovation Board on 7 July 2020.

Chongqing Youth Media Company Limited ("Chongqing Youth Media") is a 60%-owned subsidiary of the Company. In the First Half of 2020, while the operations were affected by the COVID-19 epidemic and the original "Chongqing Youth Daily" new media platform was suspended, Chongqing Youth Media continued to strengthen the Company's new media platform by actively developing the new media accounts. Among them, the new account of Douyin and Kuaishou was opened, more than 1,000 works were published, and the cumulative number of readers exceeded 50 million; more than 2,000 Weibo posts were published through the registered Weibo account, accumulating nearly 100,000 fans in a short period of time, with great interactions among fans.

BYD Logistics Company Limited ("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 the First Half of 2020, affected by the COVID-19 epidemic, the purchase demand most of material trading customers of BYD Logistics has dropped sharply, and sales revenue has fallen. It is expected that after the epidemic eases in the second half of 2020, there will be a certain degree of growth in the market. BYD Logistics will pay close attention to the market condition and strive to make a breakthrough in the second half of the year.

PROSPECTS AND FUTURE PLANS

In the second half of 2020, the Group will further strengthen the use of convergence media marketing platforms, integrate advantageous resources, improve the business division system in advertising industry, and strengthen performance appraisal.

In the second half of 2020, the Group will continue to advance cost control measures in all dimensions and optimize business segments and industrial layout.

In the second half of 2020, the Group will conduct capital operations when appropriate.

In the second half of 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 on the relationship with Beijing Youth Daily Agency ("BYDA") to promote the development of the Group's business, and strive to serve as a leading media group in the industry with cross-media platforms in the PRC.

The Group's structural 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 the First Half of 2020 was based on the concerted efforts of the entire management teams and staff in each of our business segments. The Group's success were due to key factors as a keen insight to market opportunities and the excellent quality of our management teams and staff. On behalf of the shareholders of the Company 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 segments.

Ji Chuanpai

Chairman

28 August 2020

Beijing, the PRC

FINANCIAL REVIEW

1. Total Operating Revenue

For the six months ended 30 June 2020, total operating revenue of the Group was RMB74,279 thousand (corresponding period of 2019: RMB112,729 thousand), representing a decrease of 34.11% as compared with that for the corresponding period of 2019. Herein, revenue from advertising sales decreased by RMB4,917 thousand, representing a decrease of 11.07% as compared with that for the corresponding period of 2019; revenue from printing decreased by RMB1,004 thousand, representing a decrease of 41.18% as compared with that for the corresponding period of 2019; and revenue from the trading of print-related materials decreased by RMB24,239 thousand, representing a decrease of 45.76% as compared with that for the corresponding period of 2019.

2. Operating Costs and Tax and Surcharges

For the six months ended 30 June 2020, operating costs of the Group were RMB63,889 thousand (corresponding period of 2019: RMB95,074 thousand), representing a decrease of 32.80% as compared with that for the corresponding period of 2019. Herein, costs of advertising sales decreased by RMB6,794 thousand, representing a decrease of 16.84% as compared with that for the corresponding period of 2019; costs of printing decreased by RMB776 thousand, representing a decrease of 38.26% as compared with that for the corresponding period of 2019; costs of the trading of print-related materials decreased by RMB22,052 thousand, representing a decrease of 44% as compared with that for the corresponding period of 2019; tax and surcharges were RMB945 thousand (corresponding period of 2019: RMB2,832 thousand), representing a decrease of 66.63% as compared with that for the corresponding period of 2019.

3. Selling Expenses

For the six months ended 30 June 2020, selling expenses of the Group were RMB7,268 thousand (corresponding period of 2019: RMB10,080 thousand), representing a decrease of 27.9% as compared with that for the corresponding period of 2019.

4. Administrative Expenses

For the six months ended 30 June 2020, administrative expenses of the Group were RMB15,183 thousand (corresponding period of 2019: RMB14,537 thousand), representing an increase of 4.44% as compared with that for the corresponding period of 2019.

FINANCIAL REVIEW (Continued)**5. Financial Expenses**

For the six months ended 30 June 2020, financial expenses of the Group were RMB-1,150 thousand (corresponding period of 2019: RMB54 thousand), representing a decrease of 2,229.63% as compared with the net value for the corresponding period of 2019. Herein, interest income was RMB1,276 thousand (corresponding period of 2019: RMB658 thousand), representing an increase of 93.92% as compared with that for the corresponding period of 2019.

6. Share of Loss of Associates

For the six months ended 30 June 2020, share of loss of associates of the Group was RMB6,263 thousand (corresponding period of 2019: RMB5,163 thousand), representing an increase in loss of 21.31% as compared with that for the corresponding period of 2019.

7. Operating Profit

For the six months ended 30 June 2020, operating profit of the Group was RMB-38,208 thousand (corresponding period of 2019: RMB-95,286 thousand), representing a decrease in loss of 59.90% as compared with that for the corresponding period of 2019.

8. Income Tax Expenses

For the six months ended 30 June 2020, income tax expenses of the Group for the current period were RMB1,229 thousand (corresponding period of 2019: RMB-247 thousand), representing an increase of 597.57% as compared with that for the corresponding period of 2019.

9. Net Profit/Loss Attributable to Shareholders of the Company

For the six months ended 30 June 2020, net loss attributable to shareholders of the Company was RMB37,121 thousand (corresponding period of 2019: net loss of RMB88,453 thousand), representing a decrease in net loss of 58.03% as compared with that for the corresponding period of 2019.

10. Financial Resources and Liquidity

For the six months ended 30 June 2020, the Group's funds are mainly derived from the cash generated from operating business and deposits balance. The Group's funds are mainly used as the working capital and general recurrent expenses of the Group.

As at 30 June 2020, current assets of the Group were RMB441,888 thousand (31 December 2019: RMB452,716 thousand), including bank balances and cash of RMB227,905 thousand (31 December 2019: RMB217,264 thousand). Non-current assets of the Group were RMB417,277 thousand (31 December 2019: RMB442,729 thousand).

FINANCIAL REVIEW (Continued)

10. Financial Resources and Liquidity (Continued)

As at 30 June 2020, current liabilities of the Group were RMB96,194 thousand (31 December 2019: RMB92,135 thousand) and non-current liabilities were RMB7,268 thousand (31 December 2019: RMB8,313 thousand).

As at 30 June 2020, shareholders' equity of the Group was RMB755,703 thousand (31 December 2019: RMB794,997 thousand).

11. Bank Borrowings, Overdrafts and Other Borrowings

As at 30 June 2020, the bank borrowings of the Group were Nil (31 December 2019: Nil). The currency unit of cash and cash equivalent held by the Group was Renminbi.

12. Gearing Ratio

As at 30 June 2020, gearing ratio of the Group was 13.69% (31 December 2019: 12.64%) (the gearing ratio is derived from dividing the Group's total liabilities by its total equity).

SHARE STRUCTURE (AS AT 30 JUNE 2020)

	Number of Shares	Proportion to total share capital (%)
Holders of domestic shares — Beijing Youth Daily Agency	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 (subtotal)	142,409,000	72.18
H shares ^{Note}	54,901,000	27.82
Total share capital	197,310,000	100

Note:

Including 19,533,000 H shares held by Leshi Internet Information & Technology Corp., Beijing, representing 9.90% of the total share capital of the Company.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, so far as the Directors, supervisors (“Supervisors”) and chief executive of the Company are aware, according to the register of interests and/or short positions in shares required to be kept pursuant to Section 336 of Part XV of the SFO, the persons in the following table had an interest and/or short position in the shares or underlying shares of the Company:

Name of shareholders	Capacity	H shares/ Domestic shares	Nature of Interest	Number of H shares/ Domestic shares held	Percentage of	Percentage in
					H shares/ Domestic shares over total issued	
Beijing Youth Daily Agency	Beneficial owner	Domestic shares	N/A	124,839,974	87.66	63.27
Beijing Chengshang Cultural Communication Co., Ltd. <i>Note 1</i>	Beneficial owner	Domestic shares	N/A	7,367,000	5.17	3.73
Leshi Internet Information & Technology Corp., Beijing <i>Note 2</i>	Beneficial owner	H shares	Long position	19,533,000	35.58	9.90
Founder Investment (HK) Ltd. <i>Notes 3&4</i>	Beneficial owner	H shares	Long position	4,939,000	8.99	2.50
Beijing University Founder Investment Co., Ltd. <i>Note 3</i>	Interest of controlled corporation	H shares	Long position	4,939,000	8.99	2.50
Beijing Beida Founder Group Corporation <i>Note 3</i>	Interest of controlled corporation	H shares	Long position	4,939,000	8.99	2.50
Beijing University New Technology Corporation <i>Note 3</i>	Interest of controlled corporation	H shares	Long position	4,939,000	8.99	2.50
Beijing University <i>Note 3</i>	Interest of controlled corporation	H shares	Long position	4,939,000	8.99	2.50
CITI CITI Ltd. <i>Note 4</i>	Interest of controlled corporation	H shares	Long position	4,939,000	8.99	2.50
Xia Jie <i>Note 4</i>	Interest of controlled corporation	H shares	Long position	4,939,000	8.99	2.50
Yue Shan International Limited <i>Note 5</i>	Interest of controlled corporation	H shares	Long position	4,939,000	8.99	2.50
Cao Yawen <i>Note 5</i>	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 respectively, and Quzhou Zhuoqun Innovation and Cultural Co., Ltd. is 50% directly owned by Zhang Yang and Zhang Yiping respectively. 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 executive of the Company, as at 30 June 2020, 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.

CAPITAL EXPENDITURE

Capital expenditures, including expenditures on transportation and electronic equipment, of the Group for the First Half of 2020 was RMB82 thousand (corresponding period of 2019: RMB52 thousand). The Group expects that its capital expenditures for the second half of 2020 will be mainly comprised of the expenditures consistent with business strategies.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 30 June 2020, the Company did not have any other contingent liabilities or any pledge of assets.

FOREIGN EXCHANGE RISKS

Renminbi is the functional currency of the Company. The Company's operations conducted in the PRC are mainly settled in Renminbi. However, certain account payables are settled in foreign currency (mainly Hong Kong dollars). Therefore, the Company is exposed to the risk of fluctuations in foreign exchange rate to a certain extent. Operating cash flow or liquidity of the Group is not subject to any substantial effect from exchange rate fluctuations. The Company does not have any foreign currency hedging policy at present.

EMPLOYEES

As at 30 June 2020, the Group had a total of 308 employees (as at 30 June 2019: a total of 332 employees), and the decrease in the number of employees as compared with the corresponding period of last year was mainly due to the reasonable adjustment of the normal business needs of some subsidiaries of the Company. During the six months ended 30 June 2020, the total employees remuneration paid by the Group was approximately RMB23,355 thousand. The remuneration and benefits of the employees of the Group are determined in accordance with market rates, state policies and individual performance. The Group actively encouraged the self-development of the employees. In the First Half of 2020, the Group carried out staff trainings in respect of connected transactions, legal affairs and compliance management, etc.

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

As at 30 June 2020, none of the Directors, Supervisors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded into the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), to be notified to the Company and the Hong Kong Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2020, neither of the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

MATERIAL INVESTMENTS

During the six months ended 30 June 2020, the Group made no material investment, or any plan relating to material investment or acquisition of assets.

As at 30 June 2020, the Company’s investments in Beiyang Publishing & Media Co., Ltd., Beijing Keyin Media Culture Co., Ltd. and Beijing Runxin Dingtai Investment Center (limited partnership) account for over 5% of the Group’s total assets in value. For details of such significant investments, please refer to “VIII.6. Investment in other equity instruments”, “VIII.7. Investment in other non-current financial assets”, “X.3. Equity in investment in other equity instruments”, “X.4. Equity in investment in other non-current financial assets” to the notes to the financial statements of the report.

MATERIAL ACQUISITION AND DISPOSAL OF ASSETS

During the six months ended 30 June 2020, the Group did not have other material acquisitions or disposals of assets relating to its subsidiaries, associates or joint venture companies.

AMENDMENT TO ARTICLES OF ASSOCIATION

At the annual general meeting and the shareholders’ class meeting convened on 19 June 2020, the Company approved certain amendments to the articles of association of the Company. For details, please refer to announcements of the Company dated 24 April 2020, 19 June 2020 and 21 June 2020.

CHANGES AND EFFECT IN THE INDUSTRY SEGMENTS OF THE GROUP SINCE 31 DECEMBER 2019

Save as disclosed above, the industry segments, the developments within the segments and the information disclosed in the most recent published annual report of the Group have not changed materially, and did not have significant effect on the performance of each industry segment of the Group.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

During the six months ended 30 June 2020, the Company had fully complied with all code provisions set out in the Corporate Governance Code and Corporate Governance Report under Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transactions by Directors and Supervisors. Having made sufficient enquiries of all Directors and Supervisors of the Company, all Directors and Supervisors confirmed that they had fully complied with the standards under the Model Code during the six months ended 30 June 2020.

AUDIT COMMITTEE

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

During the reporting period, in response to the impact of COVID-19 epidemic on the Group’s operating results, the audit committee of the Board conducted discussion and review with management and the Group’s auditor with reference to relevant guidance issued by Hong Kong Financial Reporting Council. The audit committee of the Board considers, management has assessed the continuing operation of the Group based on appropriate assumptions, which concludes that the Group has sufficient cash and the COVID-19 epidemic has no substantial adverse impact on the Group’s continuing operation; management also monitors the impairment of non-financial assets such as intangible assets, property, equity of associates and right-of-use assets when necessary, to assess whether there is a need to perform impairment test. The auditor has confirmed the judgement of management in line with the Company’s business environment, operation position and risks; management recognizes revenue strictly complied with related standards, and ensures that the fair value of assets and liabilities are measured on the basis of market; the internal control of the Group is in place, to ensure the effective measurement and management of expected credit loss of receivables.

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 also discussed with the Directors on matters concerning the internal control and financial reporting of the Company, including the review of the unaudited financial statements of the Group for the First Half of 2020, and has no objection thereto.

CONNECTED TRANSACTIONS MANAGEMENT

In order to standardise and strengthen the Company’s management of connected transactions, the Company has established the “Beijing Media Corporation Limited Connected Transactions Management System”. The office of the Board of the Company is responsible for the management of connected transactions. Pursuant to the requirements of the relevant system of the Company, the Company is required to comply with the reporting, announcements and independent shareholders’ approval requirements (if applicable) under the Listing Rules before conducting any proposed connected transactions.

INTERNAL CONTROL AND RISK MANAGEMENT

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 Company has 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, and 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 of directors, 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 directors 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;

INTERNAL CONTROL AND RISK MANAGEMENT *(Continued)*

7. The Company will seek legal advice and other external expert advice on the transactions;
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.

DISTRIBUTABLE RESERVE

As at 30 June 2020, the Company's accumulated loss amounted to RMB502,613 thousand and the Company's surplus reserve amounted to RMB130,931 thousand.

According to the articles of association of the Company, the Company's surplus reserve can be used to recover its losses after being approved at the general meeting of the Company.

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the six months ended 30 June 2020.

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 21 April 2020, Mr. Wu Tak Lung resigned as independent non-executive Director and chairman of the Audit Committee of the Company due to work reasons. For details, please refer to the announcement of the Company dated 21 April 2020.

On 28 May 2020, Ms. Yan Mengmeng resigned as the employee representative supervisor of the Company due to work reasons. Upon approval by the meeting of the employee representatives of the Company convened on the same day, Ms. Wang Sisi and Ms. Xiao Guohui were democratically elected as employee representative supervisors of the seventh session of the Supervisory Committee. Prior to this, Ms. Zhang Bo resigned as the employee representative supervisor due to personal reasons, and she shall continue to fulfill her duties as a supervisor until the date of the election of employee representative supervisors. For details, please refer to the announcement of the Company dated 28 May 2020.

At the annual general meeting of the Company convened on 19 June 2020, Mr. Chan Yee Ping, Michael was appointed as an independent non-executive director of the seventh session of the Board of the Company, and appointed as the chairman of the Audit Committee of the Company upon approval at the seventh meeting of the seventh session of the Board convened on the same day. For details, please refer to the announcement of the Company dated 19 June 2020.

On 14 August 2020, Ms. Zang Furong resigned as non-executive Director of the Company due to reach of retirement age. For details, please refer to the announcement of the Company dated 14 August 2020.

Unit: RMB'000

Item	<i>Notes</i>	As at 30 June 2020	As at 31 December 2019
Current assets:			
Bank balances and cash		227,905	217,264
Notes receivable		46	—
Accounts receivable	<i>VIII.1</i>	159,032	172,598
Prepayments	<i>VIII.2</i>	5,206	9,375
Other receivables	<i>VIII.3</i>	4,075	6,086
Inventories		12,863	12,181
Other current assets	<i>VIII.4</i>	32,761	35,212
Total current assets		441,888	452,716
Non-current assets:			
Long-term equity investment	<i>VIII.5</i>	3,475	9,738
Investment in other equity instruments	<i>VIII.6</i>	215,923	215,923
Other non-current financial assets	<i>VIII.7</i>	48,774	54,356
Investment properties		121,646	131,832
Fixed assets	<i>VIII.8</i>	1,296	2,078
Right-of-use assets		2,936	4,166
Intangible assets	<i>VIII.9</i>	20,505	20,981
Goodwill	<i>VIII.10</i>	—	—
Long-term deferred expenses		2,722	3,655
Other non-current assets	<i>VIII.11</i>	—	—
Total non-current assets		417,277	442,729
Total assets		859,165	895,445

		<i>Unit: RMB'000</i>	
Item	Notes	As at 30 June 2020	As at 31 December 2019
Current liabilities:			
Notes payable		8,209	5,669
Accounts payable	VIII. 13	15,905	10,306
Contractual liabilities		23,640	27,405
Employee benefit payables		6,358	7,689
Tax payables		2,099	382
Other payables	VIII. 14	39,777	40,445
Non-current liabilities due within one year	VIII. 15	206	239
Total current liabilities		96,194	92,135
Non-current liabilities:			
Leased liabilities		206	322
Deferred income tax liabilities		7,062	7,991
Total non-current liabilities		7,268	8,313
Total liabilities		103,462	100,448
Shareholders' equity:			
Share capital		197,310	197,310
Capital reserves		934,421	934,421
Other comprehensive income	VIII. 16	105,935	105,909
Surplus reserves		130,931	130,931
Undistributed profits		(636,932)	(599,811)
Total equity attributable to shareholders of the Company		731,665	768,760
Non-controlling interest		24,038	26,237
Total shareholders' equity		755,703	794,997
Total liabilities and shareholders' equity		859,165	895,445
Net current assets		345,694	360,581
Total assets less current liabilities		762,971	803,310

		<i>Unit: RMB'000</i>	
		For the six months ended 30 June	
Item	<i>Notes</i>	2020	2019
Total operating revenue	<i>VIII.17</i>	74,279	112,729
Total operating costs		86,135	122,577
Operating costs	<i>VIII.17</i>	63,889	95,074
Tax and surcharges	<i>VIII.18</i>	945	2,832
Selling expenses		7,268	10,080
Administrative expenses		15,183	14,537
Financial expenses	<i>VIII.19</i>	(1,150)	54
Including: Interest expenses		77	681
Interest income		1,276	658
Add: Other income		205	236
Investment income	<i>VIII.20</i>	(223)	(3,259)
Including: Gain from investments in associates		(6,263)	(5,163)
Gain on the changes in fair value	<i>VIII.21</i>	(10,186)	18
Impairment loss of credit	<i>VIII.22</i>	(16,204)	(71,417)
Impairment loss of assets	<i>VIII.23</i>	—	(11,070)
Gain on disposal of asset		56	54
Operating profit		(38,208)	(95,286)
Add: Non-operating income	<i>VIII.24</i>	188	672
Less: Non-operating expenses	<i>VIII.25</i>	88	14
Total profit		(38,108)	(94,628)
Less: Income tax expenses	<i>VIII.26</i>	1,229	(247)
Net profit		(39,337)	(94,381)
Net profit attributable to:			
Net profit from continuing operations		(39,337)	(94,381)
Net profit from discontinued operations		—	—
Shareholders of the Company		(37,121)	(88,453)
Non-controlling shareholders		(2,216)	(5,928)

		<i>Unit: RMB'000</i>	
		For the six months ended 30 June	
Item	<i>Notes</i>	2020	2019
Other net comprehensive income after tax		43	2,070
Other net comprehensive income after tax attributable to owners of the Company	<i>VIII.16</i>	26	1,922
Including: Other comprehensive income will not be reclassified into profit or loss		—	1,921
Including: Change in fair value of other equity instruments investments		—	1,921
Including: Other comprehensive income subsequently reclassified into profit or loss		26	1
Including: Exchange differences from retranslation of financial statements		26	1
Other net comprehensive income after tax attributable to non-controlling shareholders		17	148
Total comprehensive income		(39,294)	(92,311)
Total comprehensive income attributable to shareholders of the Company		(37,095)	(86,531)
Total comprehensive income attributable to non-controlling shareholders		(2,199)	(5,780)
Earnings per share:			
Basic earnings per share (RMB)	<i>XVII.1</i>	(0.19)	(0.44)
Diluted earnings per share (RMB)	<i>XVII.1</i>	(0.19)	(0.44)
Dividends	<i>VIII.27</i>	—	—

		<i>Unit: RMB'000</i>	
		For the six months ended 30 June	
Item	<i>Notes</i>	2020	2019
I. Cash flows from operating activities:			
Cash received from sales of goods and provision of service		69,664	81,000
Tax refund received		—	—
Other cash receipt relating to operating activities		4,716	13,786
Sub-total of cash inflows from operating activities		74,380	94,786
Cash paid for goods purchased and services received		46,811	63,306
Cash paid to and on behalf of employees		23,363	26,230
Payments of taxes and surcharges		2,282	4,349
Other cash payments relating to operating activities		13,114	17,415
Sub-total of cash outflows from operating activities		85,570	111,300
Net cash flows from operating activities		(11,190)	(16,514)
II. Cash flows from investing activities:			
Cash received from sales of investments		5,581	8,021
Cash received from returns on investment		7,021	3,699
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		65	54
Other cash receipt relating to investing activities		1,000	358,349
Sub-total of cash inflows from investing activities		13,667	370,123
Cash paid to acquire fixed assets, intangible assets and other long-term assets		—	147
Cash paid on investment		—	2,200
Other cash payments related to investing activities		—	281,200
Sub-total of cash outflows from investing activities		—	283,547
Net cash flows from investing activities		13,667	86,576

		<i>Unit: RMB'000</i>	
		For the six months ended 30 June	
Item	<i>Notes</i>	2020	2019
III. Cash flows from financing 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		—	54,233
Sub-total of cash inflows from financing activities		—	54,233
Cash payments for borrowings repayment		—	3,927
Cash payments for distribution of dividends or profits or interest expense		—	134
Including: dividends, profits paid to non-controlling shareholders of subsidiaries		—	—
Other cash receipts relating to financing activities		122	53,000
Sub-total of cash outflows from financing activities		122	57,061
Net cash flows from financing activities		(122)	(2,828)
IV. Effect of exchange rate changes on cash and cash equivalents		33	1
V. Net increase in cash and cash equivalents		2,388	67,235
Add: balance of cash and cash equivalents at the beginning of the period		187,707	186,519
VI. Balance of cash and cash equivalents at the end of the period	<i>VIII.28</i>	190,095	253,754

Unit: RMB'000

Item	For the six months ended 30 June 2020							Non-controlling interest	Total shareholders' equity
	Total equity attributable to shareholders of the Company								
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve (Note)	Undistributed profits	Subtotal			
Balance as at 31 December 2019	197,310	934,421	105,909	130,931	(599,811)	768,760	26,237	794,997	
Effect of the changes in accounting policies	—	—	—	—	—	—	—	—	
Balance as at 1 January 2020	197,310	934,421	105,909	130,931	(599,811)	768,760	26,237	794,997	
Net profit	—	—	—	—	(37,121)	(37,121)	(2,216)	(39,337)	
Other comprehensive income	—	—	26	—	—	26	17	43	
Other comprehensive income carry-forward to retained earnings	—	—	—	—	—	—	—	—	
Others	—	—	—	—	—	—	—	—	
Sub-total of the changes for the period	—	—	26	—	(37,121)	(37,095)	(2,199)	(39,294)	
Balance as at 30 June 2020	197,310	934,421	105,935	130,931	(636,932)	731,665	24,038	755,703	

Item	For the six months ended 30 June 2019							Non-controlling interest	Total shareholders' equity
	Total equity attributable to shareholders of the Company								
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve (Note)	Undistributed profits	Subtotal			
Balance as at 1 January 2019	197,310	934,421	105,434	130,931	(401,294)	966,802	44,280	1,011,082	
Net profit	—	—	—	—	(88,453)	(88,453)	(5,928)	(94,381)	
Other comprehensive income	—	—	1,922	—	—	1,922	148	2,070	
Other comprehensive income carry-forward to retained earnings	—	—	—	—	(1,921)	(1,921)	(148)	(2,069)	
Others	—	—	—	—	46	46	4	50	
Sub-total of the changes for the period	—	—	1,922	—	(90,328)	(88,406)	(5,924)	(94,330)	
Balance as at 30 June 2019	197,310	934,421	107,356	130,931	(491,622)	878,396	38,356	916,752	

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

I. GENERAL INFORMATION

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

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

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

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

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

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The subsidiaries which are included in the scope of consolidated financial statements for the six months ended 30 June 2020 of the Group are as follows:

Name of units	Shareholding (%)	
	Direct	Indirect
Beijing Beiqing Outdoor Advertisement Co., Ltd. (Beiqing Outdoor)	100.00	—
Beijing Network Culture Communication Co., Ltd. (Beiqing Network)	100.00	—
BYD Logistics Company Limited (BYD Logistics)	92.84	—
Beijing CéCi Advertising (Beijing) Limited (Beiqing Céci)	84.69	—
Beijing Long Teng Investment Management (Beijing) Co., Limited (Beiqing Long Teng)	80.84	—
Beijing Community Media Technology (Beijing) Co., Ltd. (Beiqing Community Media)	52.661	—
Chongqing Youth Media Company Limited (Chongqing Media)	60.00	—
CHONG QING YOUTH (AMERICA) LLC (Chong Qing America) (Note)	—	60.00

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

III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The Group's financial statements for the six months ended 30 June 2020 have been prepared on a going concern basis and based on the actual transactions and matters incurred, in accordance with requirement such as Accounting Standards for Business Enterprises — Basic Standard and specific accounting standards ("PRC Accounting Standard") issued by the Ministry of Finance of the People's Republic of China (the "Ministry of Finance"), as well as applicable disclosure requirements under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the 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. Going concern

The Company is able to continue as a going concern for at least the next 12 months from the end of the reporting period, and there is no material issue affecting the ability of on-going operation.

IV. STATEMENT OF COMPLIANCE OF ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The Group's financial statements have been prepared in conformity with the "PRC Accounting Standards", and present truly and completely the consolidated financial position as at 30 June 2020 and its consolidated operating results, consolidated cash flows and other relevant information for the six months ended 30 June 2020.

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

1. Accounting period

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

The period of this interim financial report is from 1 January 2020 to 30 June 2020.

2. Reporting currency

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

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

(Continued)

3. Basis of preparation and principle of measurement

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

4. Business combination

(1) Business combination involving entities under common control

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

(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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS*(Continued)***5. Basis of 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 balance sheet of the Company and its subsidiaries, after elimination of the transactions incurred among the Company and the subsidiaries. The portion of a subsidiary's equity that is not attributable to the Company is treated as "minority interests" and presented in the consolidated balance sheet within equity. The equity investment of the Company held by one subsidiary shall be treated as the Company's treasury shares and a deduction of the shareholder's equity which is presented as "less: treasury shares" in the consolidated balance sheet within equity.

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

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

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

(Continued)

6. Joint arrangement classification and joint operations 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 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: Its solely-held assets and solely-assumed liabilities, and its share of any assets and liabilities held jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; its own expenses; and 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.

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

(Continued)

6. Joint arrangement classification and joint operations accounting treatments

(Continued)

(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 is 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.

8. Foreign currency

(1) Foreign currency transactions

The Group records foreign currency transactions in RMB for accounting purpose using the spot exchange rate prevailing on the date when the transactions occur. 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS*(Continued)***8. Foreign currency** *(Continued)***(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 "undistributable 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 spot exchange rate at the transaction date. The difference arising from foreign currency financial statements translation is presented in other comprehensive income at the consolidated balance sheet within equity. Items of the statement of cash flows are determined by systemic method and translated using the spot exchange rate when they incurred. Effect arising from changes of exchange rates on cash and cash equivalents is presented separately in the statement of cash flows. When disposing of foreign operations, exchange differences of foreign currency financial statements attributable to the foreign operations are transferred to profit or loss for the current period entirely or in proportion with the disposal portion of the foreign operations.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS*(Continued)***9. Financial instruments****(1) Classification and reclassification of financial instruments**

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

1) Financial assets

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

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

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

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

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

(Continued)

9. Financial instruments (Continued)

(1) Classification and reclassification of financial instruments (Continued)

1) Financial assets (Continued)

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.

(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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS*(Continued)***9. Financial instruments** *(Continued)***(2) Measurement of financial instruments** *(Continued)*1) Financial Assets *(Continued)*

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.

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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS*(Continued)***9. Financial instruments** *(Continued)***(2) Measurement of financial instruments** *(Continued)***2) Financial Liabilities** *(Continued)***① Financial liabilities at fair value through profit or loss** *(Continued)*

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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS*(Continued)***9. Financial instruments** *(Continued)***(4) Recognition and measurement of transfer of financial assets and financial liabilities**

Financial assets

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

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

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

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

(Continued)

9. Financial instruments (Continued)

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

Financial assets (Continued)

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

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

Financial liabilities

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS*(Continued)***10. Determination and accounting treatment methods of expected credit loss**

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

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

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

For financial instruments with lower credit risk as at the balance sheet date, the Company 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.

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

(Continued)

10. Determination and accounting treatment methods of expected credit loss

(Continued)

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

- 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.

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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS*(Continued)***10. Determination and accounting treatment methods of expected credit loss***(Continued)***(2) Method of measuring loss allowance for accounts receivable, contractual assets and rental receivable** *(Continued)*

- 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 other financial 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-stages” 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

(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.

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

(Continued)

10. Determination and accounting treatment methods of expected credit loss

(Continued)

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

Net realisable value of the available-for-sale finished goods are determined by its estimated selling price less estimated selling expenses and related taxes.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS*(Continued)***12 Contractual assets and contractual liabilities****(1) Contractual assets**

A contractual 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 contractual 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 contractual 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS*(Continued)***13. Long-term equity investment** *(Continued)***(2) Subsequent measurement and recognition of profit or loss**

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

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

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

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

For the six months ended 30 June 2020

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

(Continued)

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.

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

(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.

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

(Continued)

15. Fixed assets *(Continued)*

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

Category	Useful Life (years)	Estimated residual value rate (%)	Annual depreciation (%)
Buildings	20	0.00	5.00
Plant and Machinery	10	0.00	10.00
Motor vehicles	5	0.00	20.00
Office equipment	5	0.00	20.00
Electronic equipment	3	0.00	33.00

The Group re-assesses the estimated useful life and estimated net residual value of a fixed asset and the depreciation method at the end of each financial year. Any changes will be dealt with as changes on accounting estimates.

A fixed asset is derecognized on disposal or it is expected that there shall be no economic benefit arising from using or after disposal. Where the fixed assets are sold, transferred, retired or damaged, the income received after disposal after deducting the carrying amount and related taxes are recognized in profit or loss for the current period.

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

(Continued)

16. Intangible assets

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS*(Continued)***17. Impairment of long-term assets**

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

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

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

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

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

(Continued)

18. Goodwill

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

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

19. Long-term deferred expenses

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

20. Employee benefits

(1) Short-time employee benefits

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS*(Continued)***20. Employee benefits** *(Continued)***(2) Post-employment benefits**

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

(3) Termination benefits

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

(4) Other long-term employee benefits

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

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

(Continued)

21. Revenue

The Group has fulfilled its performance obligations of the contract that the revenue is recognised based on the transaction price of such performance obligation when the customers take control of the relevant goods or services. Obtaining the right to control the relevant goods means that it is able to dominate the use of the goods and derive almost all economic benefits therefrom. 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS*(Continued)***21. Revenue** *(Continued)***(3) Revenue from trading of print-related materials and distribution of newspapers and magazines**

Revenue from trading of print-related materials and distribution of newspapers and magazines, net of VAT, is recognized when the customer has obtained control of relevant goods or services, which generally coincides with the time when the goods are delivered to customers and the title has passed.

(4) Revenue from consultation service

Consultation service income is recognized when the services are provided.

(5) Revenue from technical service

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

(6) Revenue from rental income

Rental income is recognized in accordance with the Group's accounting policy for lease (see Note V.25).

22. Contract cost

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

Where the cost happened for 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.

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

(Continued)

22. Contract cost (Continued)

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

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

- (1) The remaining consideration expected to be obtained from transfer of commodities related to the asset;
- (2) The cost estimated to be happened for the transfer of such commodities.

23. Government grants

(1) Category 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS*(Continued)***23. Government grants** *(Continued)***(1) Category and accounting treatment of government grants** *(Continued)*

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 AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS*(Continued)***24. Deferred tax asset and deferred tax liability**

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS*(Continued)***25. 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS*(Continued)***25. 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 uses 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS*(Continued)***25. Lease (Continued)****(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.

26. Held-for-sale and discontinued operations

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

When non-current asset (or disposal group) classified as held for sale is initially measured or re-measured 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.

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

(Continued)

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

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

- 1) represents a separate major line of business or geographical area of operations;
- 2) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations;
- 3) is a subsidiary acquired exclusively with a view to resale.

27. Accounting for income tax

Income tax is accounted for using liability method. Income tax expenses represent the sum of current tax and deferred tax. Current tax and deferred tax relating to the transactions and matters that are directly recorded in shareholders' equity are dealt with in shareholders' equity. Deferred tax arising from business combination is adjusted to the carrying value of goodwill. Expenses or income of all other current tax and deferred tax are recognized in the profit or loss for the period.

The current income tax payable is the amount of tax payable to taxation authority by the enterprises in respect of the transactions and matters of the current period calculated according to the taxation regulations. The deferred income tax is the difference between the balances of the deferred income tax assets and deferred income tax liabilities that should be recognized using the balance sheet liabilities approach at the end of the period and their balances originally recognized.

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

(Continued)

28. Segment information

Operating segments of the Group are identified on the basis of internal organization structure, management requirements and internal reporting policies. The reporting segments are determined on the basis of operating segments. An operating segment represents a component of the Group that satisfied the following criteria simultaneously: (1) the component engages in business activities from which it may earn revenues and incur expenses; (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.

29. 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.

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

(Continued)

29. Key accounting estimates and judgments (Continued)

(2) Depreciation of fixed assets

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

(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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS*(Continued)***29. Key accounting estimates and judgments** *(Continued)***(6) 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.

(7) Impairment loss for inventories

The management of the Group reviews the aging of the inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use or saleable in the market. The management estimates the net realizable value for such items based primarily on the latest invoice prices and current market condition. The Group carries out an inventory review on a product basis at the end of each reporting period and makes allowance for obsolete items. Where the actual future cash flows are less than expected, a material impairment loss may arise.

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

1. Changes in accounting policies and their effect

There were no changes in accounting policies during the period.

2. Change in accounting estimates and their effect

There were no changes in accounting estimates during the period.

3. Correction of errors of prior periods and their effect

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

VII. TAXES

1. Main taxes categories and tax rates

Tax category	Tax base	Tax rate
Value added tax	The VAT payable shall be the balance of the Output tax for the period after deducting the Input, tax for the period, and Output VAT is calculated based on 13%、9%、6%	13%、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%

2. Significant tax incentives and approval documents

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

According to Article 3 of the "Announcement of the Ministry of Finance and the State Administration of Taxation on Supporting Policies for Films and Other Industries" (《財政部稅務總局關於電影等行業稅費支持政策的公告》) (Announcement No. 25, 2020 of the Ministry of Finance and the State Administration of Taxation), the cultural construction fee will be exempted from 1 January 2020 to 31 December 2020.

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

For the six months ended 30 June 2020

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

1. Accounts receivable

Item	As at 30 June 2020	As at 31 December 2019
Accounts receivable	425,989	425,129
Less: Provision for bad debts	266,957	252,531
Net accounts receivable	159,032	172,598

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

Item	As at 30 June 2020	As at 31 December 2019
0-90 days	17,200	18,529
91-180 days	4,966	7,558
181-365 days	10,391	6,682
1-2 years	15,879	23,576
Over 2 years	110,596	116,253
Total	159,032	172,598

The top five accounts receivable as at 30 June 2020 represented 43.71% of the total accounts receivable.

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

2. Prepayments

Item	As at 30 June 2020	As at 31 December 2019
Prepayments	5,206	9,375
Less: Provision for bad debts	—	—
Net prepayments	5,206	9,375

The following is an aging analysis of prepayments:

Item	As at 30 June 2020	As at 31 December 2019
Within 1 year	5,184	9,353
Over 1 year	22	22
Total	5,206	9,375

The top five prepayments as at 30 June 2020 represented 94.55% of the total prepayments.

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

For the six months ended 30 June 2020

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

3. Other receivables

Item	As at 30 June 2020	As at 31 December 2019
Interest receivable	—	—
Dividends receivable	—	—
Other receivables	202,809	203,042
Less: Provision for bad debts	198,734	196,956
Net other receivables	4,075	6,086

- (1) The following is an aging analysis of other receivables (net of provision for bad debts):

Item	As at 30 June 2020	As at 31 December 2019
Within 1 year	1,014	1,608
1–2 years	956	764
2–3 years	1,995	2,075
3–4 years	11	1,503
Over 4 years	99	136
Total	4,075	6,086

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

3. Other receivables (Continued)

(2) Other receivables classified by nature

Nature	As at 30 June 2020	As at 31 December 2019
Related party current account	5,213	5,217
External unit current (Note 1)	122,500	123,996
Consideration of equity transfer (Note 2)	72,320	72,320
Deposit and margin	380	406
Reserve funds	2,390	1,103
Others	6	—
Total	202,809	203,042

Note 1: The above external unit current includes RMB107,391 thousand receivable from Beijing Transmedia Co., Ltd. As at 30 June 2020, the provision of impairment was made in full.

Note 2: The above consideration of equity transfer represents RMB72,320 thousand receivable from Beijing Trans-media Co., Ltd. As at 30 June 2020, the provision of impairment was made in full.

- (3) The top five other receivables as at 30 June 2020 represented 95.86% of the total other receivables.

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

For the six months ended 30 June 2020

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

4. Other current assets

Item	As at 30 June 2020	As at 31 December 2019
Investment of film projects <i>(Note)</i>	3,990	5,971
VAT utilizable	28,771	28,828
Prepaid income tax	—	413
Total	32,761	35,212

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 RMB4,990 thousand (representing 10% of total investment cost of the TV series) for the production of internet TV series “Setting Sail” (《启航》). 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 30 June 2020, the Company’s balance of the investment in the TV series amounted to RMB3,990 thousand.

5. Long-term equity investment

(1) Types for long-term equity investments

Type	As at 30 June 2020	As at 31 December 2019
Investments in associates — under equity method	15,092	21,355
Less: provision for impairment for investments in associates	11,617	11,617
Total	3,475	9,738

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

5. Long-term equity investment (Continued)

(1) Types for long-term equity investments (Continued)

Investee	Changes in the period									Balance of	
	Balance		Investment			Declaration				Balance	provision
	as at		gain or loss	Other	Changes	of cash			as at	as at	
	1 January	Additional	Decrease	in under equity	income	in other	dividend or	Provision for	30 June	30 June	
2020	investment	investment	method	adjustment	equity	profit	impairment Others	2020	2020		
Beijing Leisure Trend Advertising Company Limited ("Leisure Trend")	—	—	—	—	—	—	—	—	—	—	
Beijing Beiqing Shengda Automobile Service Company Limited ("Beiqing Shengda")	—	—	—	—	—	—	—	—	—	—	
Beijing Beisheng United Insurance Agency Co., Ltd. ("Beisheng United")	1,842	—	—	224	—	—	—	—	2,066	—	
BY Times Consulting Co., Ltd. ("BY Times")	—	—	—	—	—	—	—	—	—	—	
Beijing Beiqing Top Advertising Limited ("Beiqing Top")	—	—	—	—	—	—	—	—	—	—	
Hebei Jujingcai E-commerce Company Limited ("Hebei Jujingcai")	—	—	—	—	—	—	—	—	—	—	
Beijing International Advertising Media Group Co., Limited ("International Advertising")	6,480	—	—	(6,480)	—	—	—	—	—	10,669	
Chongqing Soyang Internet Technology Co., Ltd. ("Chongqing Soyang")	—	—	—	—	—	—	—	—	—	948	
Beijing Shangyou Network Technology Co., Ltd. ("Shangyou Network")	1,416	—	—	(7)	—	—	—	—	1,409	—	
Total	9,738	—	—	(6,263)	—	—	—	—	3,475	11,617	

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

For the six months ended 30 June 2020

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

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

(2) Investments in associates

Item	As at 30 June 2020	As at 31 December 2019
Unlisted investments, at cost	74,144	74,144
Share of post-acquisition profit	(59,602)	(53,339)
Share of other comprehensive income of associates	550	550
Provision for impairment	11,617	11,617
Total	3,475	9,738

As at 30 June 2020, for details of the associates of the Group, please refer to the "X. DISCLOSURE OF INTERESTS IN OTHER ENTITIES" of this note.

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

6. Investment in other equity instruments

(1) Investment in other equity instruments

Item	Investment cost	As at 30 June 2020	As at 31 December 2019	Dividend income recognized for the period
Beijing Keyin Media Culture Co., Ltd.	6,560	45,061	45,061	—
Beiyang Publishing & Media Co., Ltd.	103,000	168,017	168,017	—
Beijing Youth Daily Newspaper Internet Communication Technology Co., Ltd.	500	2,845	2,845	—
Total	110,060	215,923	215,923	—

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

Type	As at 30 June 2020	As at 31 December 2019
Unlisted equity investments, PRC	215,923	215,923
Total	215,923	215,923

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

For the six months ended 30 June 2020

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

7. Investment in other non-current financial assets

Item	Investment cost	As at 30 June 2020	As at 31 December 2019	Investment income recognized for the period
Beijing Runxin Dingtai Investment Center (limited partnership)	38,209	46,057	51,639	7,009
Suzhou Huaying Culture Industry Investment Enterprise (limited partnership)	2,797	2,717	2,717	—
Total	41,006	48,774	54,356	7,009

8. Fixed assets

For the six months ended 30 June 2020, the fixed assets of the Group increased by RMB82 thousand (corresponding period of 2019: RMB52 thousand).

For the six months ended 30 June 2020, the Group disposed of fixed assets with net carrying amount of RMB506 thousand (corresponding period of 2019: RMB1,514 thousand), resulting in net gain on disposal of fixed assets of RMB56 thousand (corresponding period of 2019: net gain of RMB0 thousand).

For the six months ended 30 June 2020, the depreciation of fixed assets recognized in the income statement is RMB855 thousand (corresponding period of 2019: RMB977 thousand).

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***9. Intangible assets**

For the six months ended 30 June 2020, the intangible assets of the Group increased by RMB0 thousand (corresponding period of 2019: increased by RMB0 thousand).

For the six months ended 30 June 2020, the amortization of intangible assets recognized in the income statement is RMB476 thousand (corresponding period of 2019: RMB686 thousand).

10. Goodwill

Item	As at 30 June 2020	As at 31 December 2019
Goodwill arising from the acquisition of Beijing CéCi	47,377	47,377
Less: provision for impairment	47,377	47,377
Total	—	—

11. Other non-current assets

Item	As at 30 June 2020	As at 31 December 2019
Film project prepaid expenses <i>(Note)</i>	24,000	24,000
Less: provision for impairment	24,000	24,000
Total	—	—

Note: Film project prepaid expenses related to the Company's participation in film and television production of "Oriental King of Soccer" (《东方球王》). 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 30 June 2020, 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.

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

For the six months ended 30 June 2020

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

12. Breakdown of impairment provision of assets

Item	As at 1 January 2020	Increase during the period		Decrease during the period		As at 30 June 2020
		Provision	Other transfer- in	Reversal	Other transfer- out	
Provision for bad debts	449,487	16,204	—	—	—	465,691
Provision for inventory impairment	5,114	—	—	—	43	5,071
Provision for impairment of investments in associate	11,617	—	—	—	—	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	546,055	16,204	—	—	43	562,216

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

13. Accounts payable

Item	As at 30 June 2020	As at 31 December 2019
Accounts payable	15,905	10,306
Total	15,905	10,306

The following is an aging analysis of accounts payable as at 30 June 2020 presented based on the invoice date:

Item	As at 30 June 2020	As at 31 December 2019
0-90 days	10,490	5,310
91-180 days	559	731
181-365 days	934	277
Over one year	3,922	3,988
Total	15,905	10,306

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

For the six months ended 30 June 2020

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

14. Other payables

Nature	As at 30 June 2020	As at 31 December 2019
Current account	32,287	32,913
Margin and deposit	5,631	5,817
Collection and payment for other persons	678	264
Others	1,181	1,451
Total	39,777	40,445

15. Non-current liabilities due within one year

Item	As at 30 June 2020	As at 31 December 2019
Lease liabilities due within one year	206	239
Total	206	239

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

16. Other comprehensive income

Item	As at 1 January 2020	Amount before income tax for the year	Less: other comprehensive income subsequently reclassified into profit or loss in current period	Less: income tax expenses	Amount after tax attributable to the parent company	As at 30 June 2020
1. Other comprehensive income will not be reclassified into profit or loss	105,277	—	—	—	—	105,277
Including: fair value of other investments of equity instruments	105,277	—	—	—	—	105,277
2. Other comprehensive income subsequently reclassified into profit or loss	632	43	—	—	26	658
Including: Items attributable to investees under equity method subsequently reclassified to profit or loss	550	—	—	—	—	550
Including: Exchange differences from retranslation of financial statement	82	43	—	—	26	108
Total other comprehensive income	105,909	43	—	—	26	105,935

17. Total operating income, operating costs

Item	For the six months ended 30 June	
	2020	2019
Principal operating income	69,748	101,478
Other operating income	4,531	11,251
Total operating income	74,279	112,729
Principal operating costs	62,933	93,563
Other operating costs	956	1,511
Total operating costs	63,889	95,074
Gross Profit	10,390	17,655

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

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

For the six months ended 30 June 2020

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

17. Total operating income, operating costs (Continued)

(1) Principal operations — by business segment

Item	For the six months ended 30 June			
	2020		2019	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Advertising	39,517	33,549	44,434	40,343
Printing	1,434	1,252	2,438	2,028
Trading of print-related materials	28,735	28,064	52,974	50,116
Distribution	62	68	268	542
Others	—	—	1,364	534
Total	69,748	62,933	101,478	93,563

(2) The sum of operating revenue from the top five customers is RMB23,756 thousand representing 34.06% of principal operating revenue for the six months ended 30 June 2020.

(3) Other operating revenue includes revenue from property rental income of RMB4,255 thousand.

18. Tax and Surcharges

Item	For the six months ended 30 June	
	2020	2019
Cultural Construction Fee	—	1,919
Urban maintenance and construction tax	78	75
Education surcharge	33	32
Local Education surcharge	5	21
Property tax	762	657
Others	67	128
Total	945	2,832

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

19. Financial expenses

Item	For the six months ended 30 June	
	2020	2019
Interest expenses	77	681
Less: Interest income	1,276	658
Add: Other expenses	49	31
Total	(1,150)	54

20. Gain on investment

Item	For the six months ended 30 June	
	2020	2019
Share of profit of associates	(6,263)	(5,163)
Investment income received from the disposal of financial assets at fair value through profit or loss for the period	7,009	—
Other investment income	(969)	1,904
Total	(223)	(3,259)

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

For the six months ended 30 June 2020

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

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

Item	For the six months ended 30 June	
	2020	2019
Gain on changes in fair value of investment properties	(10,186)	18
Total	(10,186)	18

22. Credit impairment losses

Item	For the six months ended 30 June	
	2020	2019
Loss from bad debts	(16,204)	(71,417)
Total	(16,204)	(71,417)

23. Impairment loss of assets

Item	For the six months ended 30 June	
	2020	2019
Provision for impairment of inventories	—	(2,430)
Provision for impairment of intangible assets	—	(8,640)
Total	—	(11,070)

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

24. Non-operating income

Item	For the six months ended 30 June	
	2020	2019
Current accounts not payable	179	596
Others	9	76
Total	188	672

25. Non-operating expenses

Item	For the six months ended 30 June	
	2020	2019
Compensation and late payment charges	42	14
Others	46	—
Total	88	14

26. Income tax expenses

(1) Income tax expenses

Item	For the six months ended 30 June	
	2020	2019
Current income tax expenses	2,158	322
Deferred income tax expenses	(929)	(569)
Total	1,229	(247)

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

For the six months ended 30 June 2020

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

26. Income tax expenses *(Continued)*

(2) Current income tax expenses

Item	For the six months ended 30 June	
	2020	2019
Current income tax — PRC	1,963	253
Under-provision in prior years — PRC	195	69
Total	2,158	322

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

27. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: nil).

28. Cash and cash equivalents

Item	As at 30 June 2020	As at 31 December 2019
Bank balances and cash	227,905	217,264
Less: Restricted bank deposits	37,810	29,557
Balance of cash and cash equivalents at the end of the period	190,095	187,707

IX. CHANGES IN CONSOLIDATED SCOPE**1. Business combination**

During the period, the Group had no changes in consolidated scope as a result of business combination.

2. Disposal of subsidiaries

During the period, the Group had no changes in consolidated scope as a result of disposal of subsidiaries.

3. Changes in consolidated scope for other reasons

During the period, the Group had no changes in consolidated scope as a result of other reasons.

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

Name of subsidiaries	Principal place of business	Place of registration	Business nature	Registered capital	Shareholding percentage (%)		Acquisition method
					Direct	Indirect	
BYD Logistics Company Limited	Beijing, the PRC	Beijing, the PRC	Logistics and warehousing	30,000	92.84	—	Establishment
Beijing CeCi Advertising (Beijing) Limited	Beijing, the PRC	Beijing, the PRC	Advertising services	80,000	84.69	—	Business combination involving entities not under common control
Beijing Beijing Outdoor Advertisement Co., Ltd.	Beijing, the PRC	Beijing, the PRC	Advertising services	10,000	100.00	—	Business combination involving entities under common control
Beijing Network Culture Communication Co., Ltd.	Beijing, the PRC	Beijing, the PRC	Advertising services	51,000	100.00	—	Establishment
Beijing Long Teng Investment Management (Beijing) Co., Limited	Beijing, the PRC	Beijing, the PRC	Investment management	50,000	80.84	—	Establishment
Chongqing Youth Media Company Limited	Chongqing, the PRC	Chongqing, the PRC	Newspaper distribution, advertising services	30,000	60.00	—	Establishment
Beijing Community Media Technology (Beijing) Co., Ltd.	Beijing, the PRC	Beijing, the PRC	Advertising services	30,025	52.661	—	Establishment
CHONG QING YOUTH	California, the United States	California, the United States	Travel rental	8,800	—	60.00	Establishment

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

For the six months ended 30 June 2020

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

1. Interests in subsidiaries *(Continued)*

(2) Significant non-wholly-owned subsidiaries

Name of subsidiaries	Percentage of non-controlling shareholders (%)	Gain or loss for the period attributable to non-controlling shareholders	Other comprehensive income attributable to non-controlling shareholders for the period	Balance of non-controlling shareholders as at 30 June 2020
BYD Logistics Company Limited	7.16	(55)	—	3,679
Beijing Community Media Technology (Beijing) Co., Ltd.	47.339	(334)	—	18,997

(3) Major financial information of significant non-wholly-owned subsidiaries

Name of subsidiaries	As at 30 June 2020						As at 31 December 2019					
	Non-current assets			Non-current liabilities			Non-current assets			Non-current liabilities		
	Current assets	current assets	Total assets	Current liabilities	current liabilities	Total liabilities	Current assets	current assets	Total assets	Current liabilities	current liabilities	Total liabilities
BYD Logistics Company Limited	106,265	214	106,479	55,075	—	55,075	105,037	400	105,437	53,266	—	53,266
Beijing Community Media Technology (Beijing) Co., Ltd.	57,268	1,418	58,686	18,557	—	18,557	57,651	1,760	59,411	18,532	44	18,576

X. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (Continued)**1. Interests in subsidiaries (Continued)****(3) Major financial information of significant non-wholly-owned subsidiaries (Continued)**

Name of subsidiaries	For the six months ended 30 June 2020				For the six months ended 30 June 2019			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
BYD Logistics Company Limited	35,959	(766)	(766)	2,154	75,384	(1,073)	(1,073)	1,923
Beiqing Community Media Technology (Beijing) Co., Ltd.	21,362	(705)	(705)	(5,417)	23,681	747	747	441

2. Interests in associates**(1) Constitutions for associates**

Name of associates	Place of registration	Primary operation place	Business nature	Shareholding percentage (%)		Voting percentage (%)	Business structure
				Direct	Indirect		
Beijing Leisure Trend Advertising Company Limited	Beijing	Beijing	Design, production, agency advertising	49.04	—	49.04	Limited liability company
Beijing Beiqing Shengda Automobile Service Company Limited	Beijing	Beijing	Car decoration services, market research, marketing planning	20.00	—	20.00	Limited liability company
Beijing Beisheng United Insurance Agency Co., Limited	Beijing	Beijing	Car insurance agency services	20.00	—	20.00	Limited liability company
BY Time Consulting Co., Ltd.	Beijing	Beijing	Economic information consulting, organizing cultural activities	30.00	—	30.00	Limited liability company
Beijing Beiqing Top Advertising Limited	Beijing	Beijing	Design, production, agency advertising	41.60	—	41.60	Limited liability company
Hebei Jujingcai E-commerce Company Limited	Shijiazhuang	Shijiazhuang	Primary agricultural products and other goods	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 service, technical 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. held by the Company is 14.99%, and the Company has appointed a director to participate in the decision-making of the production and operation of such company and has significant influence over such company.

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

For the six months ended 30 June 2020

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

2. Interests in associates *(Continued)*

(1) Constitutions for associates *(Continued)*

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

(2) Major financial information for associates

Item	As at 30 June 2020/ For the six months ended 30 June 2020	As at 31 December 2019/ For the six months ended 30 June 2019
Associates:		
Total carrying value in investment	3,475	9,738
Aggregated amounts per shareholding percentage for the followings:		
— net profit	(6,263)	(5,163)
— other comprehensive income	—	—
— total comprehensive income	(6,263)	(5,163)

X. DISCLOSURE OF INTERESTS IN OTHER ENTITIES *(Continued)***2. Interests in associates** *(Continued)***(3) Excess losses from associates**

Name of associates	Accumulated and unrecognized loss for the previous years as at 31 December 2019	Unrecognized loss for this period (or net profits shared in this period)	Accumulated and unrecognized loss as at 30 June 2020
Beijing Leisure Trend Advertising Company Limited	(5,423)	(186)	(5,609)
Beijing Beiqing Shengda Automobile Service Company Limited	(1,193)	(28)	(1,221)
Beijing Beiqing Top Advertising Limited	(12,619)	—	(12,619)
Hebei Jujingcai E-commerce Company Limited	(872)	(5)	(877)
BY Time Consulting Co., Ltd.	(99)	(13)	(112)
Beijing International Advertising Media Group Co., Ltd.	—	(5,423)	(5,423)
Total	(20,206)	(5,655)	(25,861)

(4) Unrecognized commitments relating to investments in associates
None

(5) Contingent liabilities relating to investments in associates
None

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

For the six months ended 30 June 2020

X. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (Continued)

3. Equity in investment in other equity instruments

(1) Basic information of relevant investee companies in relation to investment in other equity instruments:

Company name	Place of registration	Primary operation place	Business nature	Shareholding (%)	Fair value	Proportion of total assets (%)
					as at 30 June 2020	
Beiyang Publishing & Media Co., Ltd.	Shijiazhuang, Hebei	Shijiazhuang, Hebei	Production, printing, publishing and distribution of books, newspapers and magazines	2.43	168,017	19.56
Beijing Keyin Media and Culture Co., Ltd.	Beijing	Beijing	Organizing exchange activities on culture and art, and design, production and provision of agency service of advertisements	16.00	45,061	5.24
Beijing Youth Daily Newspaper Internet Communication Technology Co., Ltd.	Beijing	Beijing	Internet Information Service	5.00	2,845	0.33

X. DISCLOSURE OF INTERESTS IN OTHER ENTITIES *(Continued)***3. Equity in investment in other equity instruments** *(Continued)***(2) The investment strategies of major investments in respect of investment in other equity instruments:**

Beiyang Publishing & Media Co., Ltd. (hereinafter referred to as “Beiyang Media”) is mainly engaged in the production, printing, publishing and distribution of books, newspapers and magazines. It is the main platform for Hebei Publishing & Media Group Co., Ltd. to perform transformation into a corporate and capitalized operations. Currently, the Company holds 43,706,423 shares of Beiyang Media, representing 2.43% of the aggregate share capital of Beiyang Media. The Company has made investments in Beiyang Media mainly based on the following consideration to obtain better investment returns: 1) the robust operating conditions of Beiyang Media; 2) its capital operation plans including the reform of shareholding system and listing. Subsequent to our investment, the Company sees the robust operating conditions of Beiyang Media in recent years and the assets and revenues increase steadily. The Company is optimistic about the future operation of Beiyang Media and intends to hold the shares for a long term.

Beijing Keyin Media and Culture Co., Ltd. (hereinafter referred to as “Keyin Media”) is mainly engaged in organizing exchange activities on culture and art, and design, production and provision of agency service of advertisements, etc. Currently, the Company holds 4,000,000 shares of Keyin Media, representing 16% of the aggregate share capital of Keyin Media. The Company has made investments in Keyin Media mainly based on the consideration of its robust operating conditions and listing plan. Subsequent to our investment, the Company sees the robust operating conditions of Keyin Media in recent years as it has delivered sustained profitability. The Company is optimistic about the future operation of Keyin Media and intends to hold the shares for a long term.

X. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (Continued)

4. Equity in investment in other non-current financial assets

(1) Basic information of relevant investee companies in relation to other non-current financial assets:

Company name	Place of registration	Primary operation place	Business nature	Shareholding (%)	Fair value	
					as at 30 June 2020	Proportion of total assets (%)
Beijing Runxin Dingtai Investment Center (limited partnership)	Beijing	Beijing	Investment management	11.62	46,057	5.36
Suzhou Huaying Culture Industry Investment Enterprise (limited partnership)	Suzhou, Jiangsu	Suzhou, Jiangsu	Investment management	2.61	2,717	0.32

(2) The investment strategies of major investments in respect of other non-current financial assets:

The Company's wholly-owned subsidiary, Beiqing Network Culture Communication Co., Ltd., as a limited partner, established Beijing Runxin Dingtai Investment Center (limited partnership) (hereafter referred to as the "Fund") in 2013, with a shareholding of 11.62%. The Fund leverages on CSC Financial Co., Ltd. to focus on investing in equities of growth companies that plan to go public. The Company has made investment in the Fund mainly based on the consideration of achieving favourable yields from the Fund's investment projects and considerable investment returns.

In recent years, the Fund has also been actively facilitating various investment projects to realize exits via listing, merger and acquisition and restructuring, repurchase and transfer in NEEQ market, etc. A number of projects have realized exit after listing or partial exit and delivered satisfactory yield. As of 30 June 2020, the Company has received accumulated investment income of RMB38,583 thousand.

The Company is optimistic about the future operation and income of the Fund, and expects to achieve better investment returns upon our exit from the Fund at maturity.

XI. DISCLOSURE OF FAIR VALUES**1. Fair value of assets and liabilities at the end of period and fair value measurement level**

Item	Fair value as at 30 June 2020			Total
	Level 1 Fair value measurement	Level 2 Fair value measurement	Level 3 Fair value measurement	
I. Fair value measurement on a recurred basis				
(I) Other non-current financial assets	—	—	48,774	48,774
(II) Investment in other equity instruments	—	—	215,923	215,923
(III) Investment properties	—	121,646	—	121,646
1. leased buildings	—	121,646	—	121,646
Total assets measured at fair value on a recurred basis	—	121,646	264,697	386,343

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Relationships with related parties

Related parties that had transactions with the Group during the period 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 M-Media (Beijing) Culture Media Co., Ltd.* (北青融媒(北京)文化傳媒有限公司)
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 Film & Television (Beijing) Co., Ltd.* (北青影視(北京)有限公司)
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.
Associate of the Company	Beijing International Advertising Media Group Co., Ltd.
Associate of the Company	Beijing Beijing Top Advertising Limited
Associate of the Company	Beijing Leisure Trend Advertising Company Limited
Associate of the Company	Beijing Beisheng United Insurance Agency Co., Limited
Associate of the Company	Beijing Beijing Shengda Automobile Service Company Limited
Associate of the Company	Hebei Jujingcai E-commerce Company Limited
Associate of the Company	BY Time Consulting Co., Ltd.
Associate of the Company	Chongqing Soyang Internet Technology Co., Ltd.
Associate of the Company	Beijing Shangyou Network Technology Co., Ltd.
Associate of the Company	Beijing Shangyou International Travel Agency Limited
Other related party	Shanghai China Business News Company Limited (Note 1)
Other related party	Chongqing Youth Industrial Co., Ltd. (Note 2)
Other related party	Chongqing Youth Daily
Other related party	Korea Central M&B Publishing Group
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 PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)***2. Parent company and ultimate controlling company***(1) Parent company and ultimate controlling company*

Name of parent company and ultimate controlling company	Type of enterprise	Place of registration	Business nature	Legal representative
BYDA	State-owned enterprise	Beijing	Media and publishing	Tian Kewu

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", etc.

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

Parent company	As at 1 January 2020	Increase in this period	Decrease in this period	As at 30 June 2020
BYDA	22,439	—	—	22,439

(3) Shares or equity held by parent company and its changes

Parent company	Shareholding amount		Shareholding percentage (%)	
	As at 30 June 2020	As at 1 January 2020	As at 30 June 2020	As at 1 January 2020
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 six months ended 30 June 2020

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

3. Related party transactions

(1) Purchase of goods/receipt of services

		For the six months ended 30 June	
Related parties	Pricing principle for related party transactions	2020	2019
BYDA (Note)	Contracted price	5,900	3,702
Subsidiaries of BYDA	Contracted price	1,322	—
Other related parties	Contracted price	41	65
Total		7,263	3,767

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/rendering services

		For the six months ended 30 June	
Related parties	Pricing principle for related party transactions	2020	2019
BYDA	Contracted price	—	585
Subsidiaries of BYDA	Contracted price	425	1,040
Other related parties	Contracted price	—	320
Total		425	1,945

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)***3. Related party transactions** *(Continued)***(3) Leasing** *(The Group as lessor)*

Lessee	Nature of assets leased	Date of commencement	Date of termination	Basis for rental income	Rental income recognized for this period
BYDA	Building	2019-1-1	2021-12-31	Contracted price	3,099

(4) Leasing *(The Group as lessee)*

Name of lessor	Nature of assets leased	Date of commencement	Date of termination	Basis for rental fees	Rental expenses recognized for this period
BYDA	Building	2019-1-1	2021-12-31	Contracted price	842
BYDA	Building	2020-1-1	2020-12-31	Contracted price	286

(5) Remuneration for key management personnel

Item	For the six months ended 30 June	
	2020	2019
Remuneration for key management personnel	1,119	1,181

(6) Guarantee from related parties

None

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

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XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

4. Balances with related parties

(1) Accounts receivable due from related parties

Related parties	As at 30 June 2020		As at 31 December 2019	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
BYDA	9,016	—	5,657	—
Associates of the Company	47,884	47,649	47,884	47,420
Subsidiaries of BYDA	116,407	15,938	115,927	14,331
Other related parties	6	5	—	—
Total	173,313	63,592	169,468	61,751

(2) Other receivables due from related parties

Related parties	As at 30 June 2020		As at 31 December 2019	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Associates of the Company	39	39	39	39
Subsidiaries of BYDA	5,174	2,692	5,178	2,695
Total	5,213	2,731	5,217	2,734

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)***4. Balances with related parties** *(Continued)***(3) Accounts payable by related parties**

	As at 30 June 2020	As at 31 December 2019
Related parties		
BYDA	801	501
Subsidiaries of BYDA	—	736
Other related parties	616	616
Total	1,417	1,853

(4) Other payables by related parties

	As at 30 June 2020	As at 31 December 2019
Related parties		
BYDA	816	816
Associates of the Company	200	100
Subsidiaries of BYDA	—	150
Other related parties	52	77
Total	1,068	1,143

(5) Prepayments by related parties

	As at 30 June 2020	As at 31 December 2019
Related parties		
BYDA	4,720	7,861
Total	4,720	7,861

XIII. COMMITMENTS AND CONTINGENCIES

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

(1) The Group as lessee

As at 30 June 2020, the Group had contracted for the minimum lease payments under non-cancelable leases during following periods:

Period	As at 30 June 2020	As at 31 December 2019
Within 1 year	447	683
1-2 years	238	281
2-3 years	—	95
Total	685	1,059

(2) The Group as lessor

As at 30 June 2020, the Group had contracted with tenants for the following future minimum lease payments:

Period	As at 30 June 2020	As at 31 December 2019
Within 1 year	8,157	7,507
1-2 years	5,073	7,017
2-3 years	1,639	205
After 3 years	154	256
Total	15,023	14,985

XIII. COMMITMENTS AND CONTINGENCIES *(Continued)***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 Shanghai Xingjing and Teyin Nantong hold.

After the Group’s preliminary assessment and refer to the attorney’s opinion, the lawsuits that Shanghai Xingjing and Teyin Nantong claim Beijing Media and Beiqing Community Media to buy back shares 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 30 June 2020.

XIV. POST-BALANCE SHEET EVENTS

The Group had no material post-balance sheet events required to be disclosed.

XV. SEGMENT INFORMATION

The price of intra-segment transactions is determined with reference to market rates. The segments are:

Business segments	Principal activities
Advertising:	Sales of advertising spaces and outdoor advertising of the media or activities operated by BYDA, Beijing headlines, Chongqing Youth Daily, Beijing Community Newspaper.
Printing:	Provision of printing services.
Trading of print-related materials:	Sales of paper, ink, lubricant, film, pre-coating photosensitive liquid plate and rubber plate used for printing and other print-related materials.
Distribution:	Distribution of newspaper that are mainly published by Chongqing Youth Daily.

(1) For the six months ended 30 June 2020

Item	Trading of print-related materials				Unallocated amount and others		Total
	Advertising	Printing	Distribution	Elimination	others		
Revenue from external transactions	39,517	1,434	28,735	62	4,531	—	74,279
Revenue from intra-segment transactions	32	1,821	3,969	—	635	(6,457)	—
Operating revenue	39,549	3,255	32,704	62	5,166	(6,457)	74,279
Operating profit (loss)	(20,597)	(108)	(457)	(523)	(16,523)	—	(38,208)

(2) For the six months ended 30 June 2019

Item	Trading of print-related materials				Unallocated amount and others		Total
	Advertising	Printing	Distribution	Elimination	others		
Revenue from external transactions	44,434	2,438	52,974	268	12,615	—	112,729
Revenue from intra-segment transactions	535	4,581	9,076	—	6,254	(20,446)	—
Operating revenue	44,969	7,019	62,050	268	18,869	(20,446)	112,729
Operating profit (loss)	4,091	410	2,858	(274)	(96,541)	(5,830)	(95,286)

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

XVI. OTHER SIGNIFICANT EVENTS**1. Leasing***(1) Carrying amount of assets leased out under operating leases*

Category of assets leased out under operating leases	As at 30 June 2020	As at 31 December 2019
Investment properties and fixed assets	122,281	132,846
Total	122,281	132,846

XVII. SUPPLEMENTARY INFORMATION**1. Earnings per share**

Item	For the six months ended 30 June	
	2020	2019
Comprehensive income for the half-year attributable to shareholders of the Company	(37,095)	(86,531)
Weighted average number of issued ordinary shares (thousand shares)	197,310	197,310
Earnings per share (RMB)	(0.19)	(0.44)

The basic earnings and diluted earnings per share for the six months ended 30 June 2019 and 2020 are the same as there was no dilution incurred during the periods.

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

For the six months ended 30 June 2020

XVII. SUPPLEMENTARY INFORMATION (Continued)

2. Balance sheet of the Company (unaudited)

Unit: RMB'000

Item	As at 30 June 2020	As at 31 December 2019
Current assets:		
Bank balances and cash	133,890	138,504
Accounts receivable	96,267	101,238
Prepayments	38,009	47,573
Other receivables	1,606	2,181
Inventories	1,654	1,897
Other current assets	31,251	33,160
Total current assets	302,677	324,553
Non-current assets:		
Long-term equity investment	266,371	272,626
Investment in other equity instruments	213,078	213,078
Other non-current financial assets	2,717	2,717
Investment properties	83,106	90,718
Fixed assets	1,995	2,492
Right-of-use assets	2,527	3,369
Intangible assets	20,490	20,964
Long-term deferred expenses	2,482	3,267
Other non-current assets	—	—
Total non-current assets	592,766	609,231
Total assets	895,443	933,784

XVII. SUPPLEMENTARY INFORMATION (Continued)**2. Balance sheet of the Company (unaudited) (Continued)***Unit: RMB'000*

Item	As at 30 June 2020	As at 31 December 2019
Current liabilities:		
Accounts payable	3,104	3,263
Contractual liabilities	16,305	20,562
Employee benefit payables	3,963	4,461
Tax payables	46	113
Other payables	37,876	38,295
Total current liabilities	61,294	66,694
Total non-current liabilities	—	—
Total liabilities	61,294	66,694
Shareholders' equity:		
Share capital	197,310	197,310
Capital reserves	904,453	904,453
Other comprehensive income	104,068	104,068
Surplus reserves	130,931	130,931
Undistributed profits	(502,613)	(469,672)
Total shareholders' equity	834,149	867,090
Total liabilities and shareholders' equity	895,443	933,784

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

For the six months ended 30 June 2020

XVII. SUPPLEMENTARY INFORMATION *(Continued)*

3. Income statement of the Company (unaudited)

Unit: RMB'000

**For the six months
ended 30 June**

Item	2020	2019
Operating revenue	21,690	29,711
Total operating costs	32,702	37,513
Operating costs	21,876	27,904
Tax and surcharges	651	1,243
Administrative expenses	11,016	7,877
Financial expenses	(841)	489
Including: Interest expenses	47	595
Interest income	896	115
Add: Other income	76	199
Investment income	(7,237)	34,805
Including: Gain from investments in associates	(6,256)	(5,081)
Gain on the changes in fair value	(7,612)	—
Impairment loss of credit	(7,236)	(35,985)
Impairment loss of assets	—	(9,682)
Operating profit	(33,021)	(18,465)
Add: Non-operating income	87	75
Less: Non-operating expenses	7	—
Total profit	(32,941)	(18,390)
Less: Income tax expenses	—	—
Net profit	(32,941)	(18,390)
Other comprehensive income	—	—
Total comprehensive income	(32,941)	(18,390)

XVII. SUPPLEMENTARY INFORMATION (Continued)**4. Cash flow statement of the Company (unaudited)**

Unit: RMB'000

For the six months
ended 30 June

Item	2020	2019
I. Cash flows from operating activities:		
Cash received from the sales of goods and the rendering of services	16,022	22,768
Taxes refund received	—	—
Other cash receipts relating to operating activities	2,297	641
Sub-total of cash inflows from operating activities	18,319	23,409
Cash paid for goods purchased and services received	6,297	20,248
Cash paid to and on behalf of employees	11,999	12,398
Payments of taxes and surcharges	714	1,755
Other cash payments relating to operating activities	5,351	12,515
Sub-total of cash outflows from operating activities	24,361	46,916
Net cash flows from operating activities	(6,042)	(23,507)
II. Cash flows from investing activities:		
Cash received from investments	—	2,771
Cash received from returns on investment	—	40,848
Net cash received from disposal of fixed assets, intangible asset and other long-term assets	—	—
Other cash receipts relating to investing activities	1,000	5,959
Sub-total of cash inflows from investing activities	1,000	49,578

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

For the six months ended 30 June 2020

XVII. SUPPLEMENTARY INFORMATION (Continued)

4. Cash flow statement of the Company (unaudited) (Continued)

Unit: RMB'000

**For the six months
ended 30 June**

Item	2020	2019
Cash paid to acquire fixed assets, intangible assets and other long-term assets	—	143
Cash paid on investment	—	—
Other cash payments relating to investing activities	—	—
Sub-total of cash outflows from investing activities	—	143
Net cash flows generated from investing activities	1,000	49,435
III. Cash flows from financing activities:		
Cash received from investments	—	—
Cash received from borrowings obtained	—	—
Cash received from issue of bonds	—	—
Other cash receipts relating to financing activities	—	258,800
Sub-total of cash inflows from financing activities	—	258,800
Cash payments for borrowings repayment	—	—
Cash payments for distribution of dividends or profits or interest expense	—	—
Other cash payments relating to financing activities	—	225,000
Sub-total of cash outflows from financing activities	—	225,000
Net cash generated from financing activities	—	33,800

XVII. SUPPLEMENTARY INFORMATION (Continued)**4. Cash flow statement of the Company (unaudited) (Continued)**

Unit: RMB'000

For the six months
ended 30 June

Item	2020	2019
IV. Effect of exchange rate changes on cash and cash equivalents	—	—
V. Net increase in cash and cash equivalents	(5,042)	59,728
Add: Balance of cash and cash equivalents at the beginning of the period	138,504	114,638
VI. Balance of cash and cash equivalents at the end of the period	133,462	174,366

5. Statement of changes in shareholders' equity of the Company (unaudited)

Unit: RMB'000

Item	For the six months ended 30 June 2020					Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profits	
Balance as at 1 January 2020	197,310	904,453	104,068	130,931	(469,672)	867,090
Net profits	—	—	—	—	(32,941)	(32,941)
Other comprehensive income	—	—	—	—	—	—
Appropriation to shareholders	—	—	—	—	—	—
Sub-total of the changes for the period	—	—	—	—	(32,941)	(32,941)
Balance as at 30 June 2020	197,310	904,453	104,068	130,931	(502,613)	834,149

XVII. SUPPLEMENTARY INFORMATION (Continued)

**5. Statement of changes in shareholders' equity of the Company (unaudited)
(Continued)**

Unit: RMB'000

Item	For the six months ended 30 June 2019					Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profits	
Balance as at 1 January 2019	197,310	904,453	104,334	130,931	(367,582)	969,446
Net profits	—	—	—	—	(18,390)	(18,390)
Other comprehensive income	—	—	—	—	—	—
Appropriation to shareholders	—	—	—	—	—	—
Sub-total of the changes for the period	—	—	—	—	(18,390)	(18,390)
Balance as at 30 June 2019	197,310	904,453	104,334	130,931	(385,972)	951,056

Note: In accordance with the People's Republic of China (the "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.

6. Distributable reserve

As of 30 June 2020, the Company's undistributed profits amounted to RMB-502,613 thousand (31 December 2019: RMB-469,672 thousand). Surplus reserve for the Company was RMB130,931 thousand (31 December 2019: RMB130,931 thousand). According to the Articles of Association of the Company, the surplus reserve can be used to offset the accumulated losses through approval from the general meeting.

XVIII. APPROVAL OF INTERIM FINANCIAL REPORT

This financial report was approved by the Board of the Company on 28 August 2020.

Beijing Media Corporation Limited

28 August 2020