



HK Stock Code: 1000

2020

ANNUAL

REPORT

Beijing Media Corporation Limited

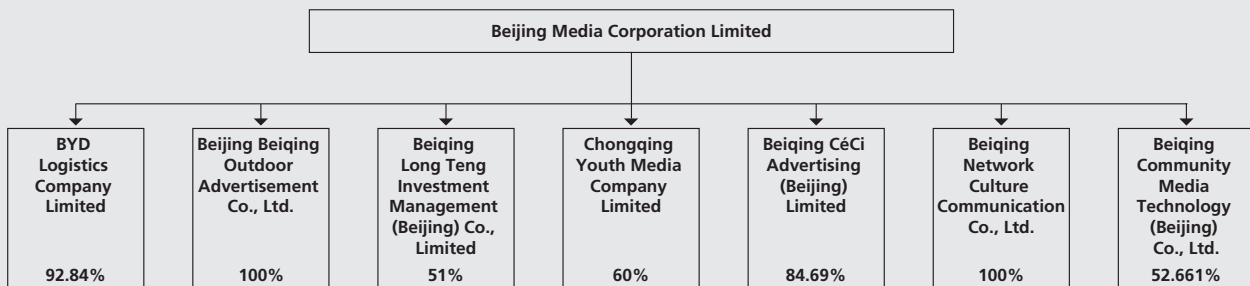
A joint stock company incorporated
in the People's Republic of China with limited liability

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COMPANY PROFILE

Beijing Media Corporation Limited (the “Company” or “Beijing Media”, together with its subsidiaries, collectively referred to as the “Group”) is one of the leading media companies in the People’s Republic of China (the “PRC”). The Group’s main advertising medium is Beijing Youth Daily. Other core businesses of the Group include the production and printing of newspapers and trading of print-related materials. The Company was listed on the Main Board of Hong Kong Stock Exchange on 22 December 2004.

COMPANY STRUCTURE (AS AT 31 DECEMBER 2020)



COMPANY WEBSITE

www.bjmedia.com.cn

STOCK INFORMATION

- Stock Code: 1000
- Board Lot: 500 shares
- Number of Shares Issued (as at 31 December 2020): 197,310,000 shares
- Market Capitalisation (as at 31 December 2020): HK\$150 million
- Financial Year End: 31 December
- Bloomberg’s Stock Machine Search Code: 1000HKEquity
- Reuters Stock Machine Search Code: 1000.HK

AS AT 31 DECEMBER 2020**EXECUTIVE DIRECTORS**

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

NON-EXECUTIVE DIRECTORS

Sun Fang
Yang Qing

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cui Enqing
Chen Ji
Wu Changqi
Shi Hongying
Chan Yee Ping, Michael ^{Note 1}

JOINT COMPANY SECRETARIES

Shang Da
Yu Leung Fai

AUDIT COMMITTEE

Chan Yee Ping, Michael (*Chairman*) ^{Note 1}
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

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148 Connaught Road Central, Hong Kong

LEGAL ADVISER

as for Hong Kong Law
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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:

1. Upon the approval 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. 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 the results of the Group for the year of 2020. The Group is principally engaged in sales of advertising space, printing and production of newspaper, and trading of print-related materials. The Group's principal advertising medium is Beijing Youth Daily.

In 2020, the outbreak of COVID-19 epidemic had a huge social and economic impact. The Group suspended work and worked at home for several months in response to the spread of the epidemic. Coupled with the impact of new media and changes in the public's reading habits on traditional media, the Group's operations throughout the year have become extraordinarily difficult. Despite the multiple pressures of fierce market competition and severe economic condition, with the cohesive and unremitting efforts of all employees, the decline in the Group's operating income has significantly narrowed.

In 2020, the Group has coordinated development in business strategy, operation management and strategic innovation, and strived to increase operating income.

In 2020, the Group prioritised prudence in cost control. By tapping the potential internally and actively controlling costs and expenses, the cost has decreased compared with the previous year.

In 2020, the Group improved its internal control and enhanced risk management and internal governance, made continuous and effective supervision and rectification, and hired professional internal control consultants to conduct risk assessments on major business sectors, to give full play to the effective role of the internal control mechanism.

In 2021, due to the long-term adverse impact brought by the outbreak of COVID-19 epidemic and various factors at home and abroad, coupled with the impact of global quantitative easing, the downward pressure on the economy has increased. The Group will deepen its management, make efforts to enhance its comprehensive competitiveness, maintain stability and growth during the crisis and strive to achieve good performance and present it to investors.

The Group's optimization initiatives mentioned above will have significant and profound impact on the Group's long-term, stable and positive development in the future. The Group's business in 2020 was based on the concerted efforts of the entire management teams and staff in each of our business units. The Group's key success factors were the keen insights to market opportunities and the excellent quality of our management teams and staff. On behalf of the Shareholders and other members of the Board, I would like to express my heartfelt and sincere gratitude to the entire management teams and staff in each of our business units.

Ji Chuanpai

Chairman

26 March 2021
Beijing, the PRC

GROUP BUSINESS REVIEW

The Group is principally engaged in three core businesses: (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 others, newsprint, ink, lubricants, films, pre-coating photo sensitive liquid plate and rubber to customers including commercial printers.

Due to the continuing impact of new media, advertising in the traditional print media market decreased. Although the Company actively developed new media advertising for its clients, the Group's overall advertising revenue still decreased.

The Group's total operating income for 2020 was RMB217,291 thousand, representing a decrease of 1.20% as compared with 2019 (2019: RMB219,927 thousand). Net loss attributable to shareholders of the Company for 2020 was RMB130,176 thousand (2019: RMB196,538 thousand).

Looking back at the arduous challenges and changes in 2020, even though the raging epidemic has adversely affected all businesses of the Group, the decline level in revenue of the Group has been mitigated as compared with the previous year. At the same time, the positive and effective control of cost and expense leads to the reduction in the loss. Accordingly, the epidemic did not impose any obvious substantial impact on the operation of the Group.

In 2021, the Group will promote the establishment of long-term sustainable structure by optimizing its operating structure.

In 2021, the Company will continue to optimize customer resources and enhance customer experience.

In 2021, the Company will continue to integrate its own advantages, deeply explore potential markets and enhance its overall competitiveness.

In 2021, the Group will continue to strengthen management to form an effective incentive mechanism.

In 2021, despite of the favorable macroeconomic environment, the traditional media industry is still under great pressure for economic recovery. The Group will dig out its potentials, strengthen its existing business structure to lay a solid foundation, and strive to improve its operation quality so as to gain more market share.

Advertising Business

The COVID-19 epidemic has brought a shock to the global economy, resulting in a decline in the Group's operating income due to the slowdown in macroeconomic growth. Besides, the continuing reduction in marketing activities affected the revenue from the advertising business.

In 2020, revenue from the Group's advertising business was RMB89,973 thousand (RMB96,965 thousand for the corresponding period in 2019), representing a year-on-year decrease of 7.21%.

In 2020, facing the impact of the epidemic and the shrinkage of the traditional newspaper advertising market, the Company actively changed its business ideas, strived to develop direct customers and brand customer, strengthened new media launches, as well as provided customized publicity plans. In 2020, the revenue from advertising and activities in industries such as education, finance and insurance increased compared with the corresponding period of the previous year, but the increase was not enough to compensate for the decline in industries such as tourism, sports, and performances that were greatly affected by the objective environment, resulting in an overall decline in annual advertising revenue.

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

In 2020, the Company further promoted the transformation of integrated media and adopted the following measures in respect of advertising business:

1. Improving the management model of business divisions and accelerating the transformation of key industries

In response to the needs of market development and to accelerate the transformation of key industries, the Company adjusted its business divisions based on industry market and the Company's operating conditions. In addition to the original three business divisions of finance, automobile, and real estate, the education division was integrated and established, with a focus on social educational and teaching institutions and educational research units.

2. Accelerating the digital transformation in an all-round way to build a diversified and multi-level way of integrated media content dissemination

The trend of resource interoperability and joint development within the Group was basically achieved. The Company took advantage of the existing integrated media marketing platform and explored short video and Internet live broadcast methods of dissemination, and provided special edition advertising by relying on newspaper brand advantages. Output efficiency was enhanced and online and offline marketing activities were enriched.

3. Further improving the customer ranking mechanism

Privileges, temporary welfare policies and packaging policies were introduced to promote the overall sales of paper media and new media to increase revenue.

Film and Television Business

In 2020, the Company insisted on developing high-quality film and television projects. 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, and was nominated as the excellent TV drama of the 32nd China TV Drama "Flying Apsaras Awards" (第三十二屆電視劇“飛天獎”優秀電視劇). The project has begun to create issuance income. In the future, the Company will continue to leverage its content advantages, actively reserve projects, focus on the development and operation of film and television content, and further build the cultural attributes of Beijing Media brand through content development and strategic cooperation.

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

Beiqing Community Media is a 52.661%-owned subsidiary of the Company. Beiqing Community Media has transformed from its original traditional media newspaper business model to a government-affiliated integrated media service business model, and has formulated new strategic goals to achieve steady growth in new projects. Beiqing Community Media's intensive cultivation of community media has been highly recognized by community residents, governments at all levels, and cooperative businesses, which has greatly increased the influence of Beiqing Community Media. Up to now, Beiqing Community Media has several branches across the whole urban area of Beijing, including CBD, Chaoyang, Dongcheng, Wangjing, Shunyi, Changping and Beijing Administrative Sub-center and has published a total of 12 newspapers of "Beiqing Community Daily". In addition to newspapers, each branch also distributed news products on various new media platforms such as Douyin (抖音號), Kuaishou (快手號), Today Headlines Account (今日頭條號), and Sina Weibo (新浪微博), forming a strong propaganda matrix, and the integrated media performed well in propaganda. At the same time, each of the branches of Beiqing Community Media operated a total of 46 certified WeChat public accounts.

In 2020, Beiqing Community Media continued to promote cooperation in government service and social organizations procurement. Beiqing Community Media undertook the cooperation with the government departments and social organizations to publish newspapers, establishing a total of 8 publications, including "Beixinqiao Scenery" (《北新橋風景》), "Sui Yuan" (《隨園》), "News" (《建聞》), "Shichahai Culture Monthly" (《什刹海文化月刊》), "Beijing Police Academy" (《北京警察學院》), "Oriental Fashion Driving School News" (《東方時尚駕校校報》), "Daxing Civil Affairs" (《大興民政》) and "Wangsiying Community News" (《王四營社區報》); assisted the government in operating a total of 5 WeChat public accounts, namely "Zhangjiawan, an Ancient Water Transport Town" (《漕運古鎮張家灣》), "A View of Zhongcang" (《瞰中倉》), "Beijing City Sub-center Investment News" (《北京城市副中心投資快訊》), "Tongzhou E Zhengtong" (《通州E政通》) and "Tongzhou Youth Innovation Association" (《通州青創會》); and undertook the publicity projects of a total of 8 government units including the Water Affairs Bureau of Beijing Chaoyang District and the Office of the Capital Spiritual Civilization Construction Committee. It established public opinion studio through collaboration with the Network Information Office of CPC Beijing Xicheng District Committee to provide comprehensive services such as monitoring of public opinion. It also cooperated with the Management Committee of Beijing Chaoyang National Cultural Industry Innovation Experimental Zone to launch a joint publication project and cooperated with the Integrated Media Center of Beijing Xicheng District to provide short video shooting and production and short video platform promotion services.

In 2020, Beiqing Community Media focused on commercial promotion of the real estate sector and organized more than 50 brand-themed events for several real estate companies through the marketing methods of online project promotion and landing activities, such as "515J Community Good Helper Service Plan" conference, "Real Estate Encyclopedia Lecture Hall" activities, etc. While developing customers for real estate companies, it has also increased the visibility and recognition of Beiqing Community Media in the market, and achieved a win-win situation for both corporate reputation and business.

In 2020, Beiqing Community Media has made a profit of RMB1,509 thousand.

Beiqing Network Culture is a wholly-owned subsidiary of the Company. Beiqing Network Culture, as a limited partner, contributed a portion to establish Beijing Runxin Dingtai Investment Centre (Limited Partnership) (the "Fund") in 2013. Among the companies invested by the Fund, Beijing TINAVI Medical Technology Co., Ltd. (Stock code: 688277) was listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange on 7 July 2020. In 2020, the Company gained an investment income of RMB22,932 thousand from the Fund. In the future, the Fund will continue to achieve gains by exit from listings, mergers and acquisitions, share transfers of the investees, etc., and will also actively assist in the development of investees through relevant business resources.

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

Chongqing Media is a 60%-owned subsidiary of the Company. In 2020, the operation of Chongqing Media reduced in the second half of 2020 due to the multiple impacts of the COVID-19 epidemic and the reforms of parent company.

BYD Logistics is a 92.84%-owned subsidiary of the Company and principally engages in the businesses of printing and trading of print-related materials. In terms of printing business, affected by the continued decline in the paper media market, the printing business further shrank. In terms of material trading business, affected by the epidemic in the first half of 2020, most customers of BYD Logistics suspended work and production, market demand and sales revenue fell sharply. Paper sales recovered as the market gradually returned to normal in the second half of 2020. BYD Logistics has been actively expanding its product categories and businesses. In 2020, it obtained the right to independently operate import and export operations and added the import paper sales agency business. In the fourth quarter, it further developed the writing paper sales business, mainly including printing of teaching auxiliary materials which has large market demand. Besides, it has actively obtained the exclusive right to import writing paper in northern China from a foreign company, which has a competitive advantage in sales price and a promising sales market.

Beiqing Outdoor is a wholly-owned subsidiary of the Company which principally engages in the operation of urban outdoor single column billboards. In 2020, with the severe market condition and the shrinkage of traditional industries, its operation scale experienced a substantial decline.

Prospects and Future Plans

In 2021, the Group will continue to adopt cost control measures in all dimensions.

In 2021, the Group will continue to establish a long-term sustainable operation structure and strive to improve operation standard.

In 2021, the Group will continue to strengthen its operations and management and improve its operational quality.

In 2021, the Group will continue to improve internal control and further improve the level of compliance management.

In 2021, the Group will actively deploy the future, promote the development of the Group's business, increase the Group's brand influence, and strive to become a leading media group with a cross-media platform in China.



FINANCIAL POSITION AND OPERATIONAL RESULTS

1. Total Operating Income

Total operating income of the Group for 2020 was RMB217,291 thousand (2019: RMB219,927 thousand), representing a decrease of 1.20% as compared with 2019, of which, revenue from advertising was RMB89,973 thousand (2019: RMB96,965 thousand), representing a decrease of 7.21% as compared with 2019; revenue from printing was RMB2,824 thousand (2019: RMB3,457 thousand), representing a decrease of 18.31% as compared with 2019; and revenue from trading of print-related materials was RMB115,256 thousand (2019: RMB102,620 thousand), representing an increase of 12.31% as compared with 2019.

2. Operating Cost and Sales Tax and Surcharges

Operating cost of the Group for 2020 was RMB192,447 thousand (2019: RMB212,548 thousand), representing a decrease of 9.46% as compared with 2019, of which, cost of advertising was RMB75,077 thousand (2019: RMB98,635 thousand), representing a decrease of 23.88% as compared with 2019; cost of printing was RMB2,884 thousand (2019: RMB3,221 thousand), representing a decrease of 10.46% as compared with 2019; and cost of trading of print-related materials was RMB113,220 thousand (2019: RMB100,112 thousand), representing an increase of 13.09% as compared with 2019. Tax and surcharges were RMB1,964 thousand (2019: RMB5,375 thousand), representing a decrease of 63.46% as compared with 2019.

3. Gross Profit

Gross profit of the Group for 2020 was RMB24,844 thousand (2019: RMB7,379 thousand), representing an increase of 236.69% as compared with 2019; gross profit margin of the Group for 2020 was 11.43% (2019: 3.36%).

4. Selling Expenses

Selling expenses of the Group for 2020 was RMB13,596 thousand (2019: RMB19,269 thousand), representing a decrease of 29.44% as compared with 2019.

5. Administrative Expenses

Administrative expenses of the Group for 2020 was RMB33,806 thousand (2019: RMB34,328 thousand), representing a decrease of 1.52% as compared with 2019.

6. Financial Expenses

Financial expenses of the Group for 2020 was RMB-2,144 thousand (2019: RMB-8,052 thousand), representing a decrease of 73.37% in absolute value as compared with 2019, of which, interest income was RMB2,219 thousand (2019: RMB8,560 thousand), representing a decrease of 74.08% as compared with 2019; and foreign exchange gain was RMB138 thousand (2019: Nil).

7. Share of Loss of Associates

Share of loss of associates of the Group for 2020 was RMB6,241 thousand (2019: loss of RMB2,355 thousand), representing an increase of loss of 165.01% as compared with 2019.

8. Operating Profit

Operating profit of the Group for 2020 was RMB-131,542 thousand (2019: RMB-198,990 thousand), representing a decrease of loss of 33.90% as compared with 2019.



FINANCIAL POSITION AND OPERATIONAL RESULTS (Continued)

9. Income Tax Expenses

Income tax expenses of the Group for 2020 was RMB4,778 thousand (2019: RMB16,056 thousand), representing a decrease of RMB11,278 thousand or 70.24% as compared with 2019. Pursuant to the "Notice on the Continual Implementation of Certain Taxation Policies relating to the Transformation of Operational Culture Entities into Enterprises in the Cultural Regime Reform issued by the Ministry of Finance, the State Administration of Taxation and the Central Publicity Department" (Cai Shui [2019] No. 16), the enterprises that have completed the transformation before 31 December 2018 can continue to enjoy the five-year EIT exemption starting from 1 January 2019.

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

Net loss of the Group for 2020 was RMB136,356 thousand (2019: net loss of RMB214,511 thousand), of which, net loss attributable to shareholders of the Company was RMB130,176 thousand (2019: RMB196,538 thousand).

11. Final Dividend

The Board did not propose a final dividend for the year 2020 (2019: Nil).

12. Net Current Assets

As at 31 December 2020, net current assets of the Group was RMB266,738 thousand (31 December 2019: RMB360,581 thousand). Current assets mainly comprised bank balances and cash of RMB240,221 thousand (31 December 2019: RMB217,264 thousand), notes receivable of RMB100 thousand (31 December 2019: Nil), accounts receivable of RMB66,762 thousand (31 December 2019: RMB172,598 thousand), prepayments of RMB1,171 thousand (31 December 2019: RMB9,375 thousand), other receivables of RMB3,467 thousand (31 December 2019: RMB6,086 thousand), inventories of RMB13,460 thousand (31 December 2019: RMB12,181 thousand), and other current assets of RMB31,716 thousand (31 December 2019: RMB35,212 thousand). Current liabilities mainly comprised notes payable of RMB10,807 thousand (31 December 2019: RMB5,669 thousand), accounts payable of RMB13,335 thousand (31 December 2019: RMB10,306 thousand), contractual liabilities of RMB23,560 thousand (31 December 2019: RMB27,405 thousand), employee benefit payables of RMB5,887 thousand (31 December 2019: RMB7,689 thousand), tax payables of RMB4,452 thousand (31 December 2019: RMB382 thousand), other payables of RMB30,344 thousand (31 December 2019: RMB40,445 thousand), and non-current liabilities due within one year of RMB218 thousand (31 December 2019: RMB239 thousand).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2020, current assets of the Group was RMB356,897 thousand (31 December 2019: RMB452,716 thousand), including bank balances and cash of RMB240,221 thousand (31 December 2019: RMB217,264 thousand) and non-current assets of the Group was RMB388,550 thousand (31 December 2019: RMB442,729 thousand).

As at 31 December 2020, current liabilities of the Group was RMB90,159 thousand (31 December 2019: RMB92,135 thousand); and non-current liabilities was RMB6,792 thousand (31 December 2019: RMB8,313 thousand).

As at 31 December 2020, shareholders' equity of the Group was RMB648,496 thousand (31 December 2019: RMB794,997 thousand).

GEARING RATIO

As at 31 December 2020, gearing ratio of the Group was 14.95% (31 December 2019: 12.64%) (the gearing ratio is calculated by dividing the Group's total liabilities by its total equity).

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

As at 31 December 2020, bank loans, overdrafts and other borrowings of the Group was Nil (31 December 2019: Nil). Most of the currency unit of cash and cash equivalent held by the Group was Renminbi.

FINANCING COST

Financing cost of the Group for 2020 was RMB138 thousand (2019: RMB444 thousand).

FIVE-YEAR RESULTS HIGHLIGHTS

	2020 RMB'000	For the year ended 31 December			
		2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Total operating income	217,291	219,927	344,625	426,708	483,306
Net profit	(136,356)	(214,511)	(292,213)	(99,577)	(70,874)
Net profit attributable to shareholders of the Company	(130,176)	(196,538)	(277,310)	(85,251)	(58,838)
Earnings per share — basic and diluted (RMB)	(0.66)	(0.99)	(1.39)	(0.43)	(0.30)

	2020 RMB'000	As at 31 December			
		2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Total assets	745,447	895,445	1,159,286	1,395,384	1,500,835
Total liabilities	96,951	100,448	148,694	194,810	240,586
Total equity attributable to shareholders of the Company	628,509	768,760	966,545	1,140,864	1,214,959
Shareholders' equity per share as at the end of the year (RMB)	3.19	3.90	4.90	5.78	6.16

USE OF PROCEEDS FROM THE LISTING

The Company raised a total net proceeds of HKD889,086 thousand from the global offering in 2004, all of which have been used up.

In order to capture more business opportunities arising from emerging media businesses and other media-related businesses, the Company believes that it will seek for various financing arrangements to support business development subject to business needs and mature conditions in the future.

SHARE STRUCTURE (AS AT 31 DECEMBER 2020)

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

Note:

Including 19,533,000 H Shares, representing 9.90% of the total share capital of the Company, which are held by Leshi Internet Information & Technology (Beijing) Limited.

CAPITAL EXPENDITURE

Capital expenditures, including expenditures on office equipment and intangible assets, of the Group for 2020 was RMB763 thousand (2019: RMB3,020 thousand). Capital expenditures of the Group for 2020 was mainly comprised of the expenditures consistent with business strategies.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 31 December 2020, the Group did not have any contingent liabilities or any pledge of assets.

MATERIAL INVESTMENTS

As at 31 December 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) accounted for over 5% of the Group's total assets in value. For details of such significant investments, please refer to Note X. "Disclosure of Interests in Other Entities" to the Financial Statements in this report.

Save as disclosed in this report, during the Reporting Period, the Group had no material investments or any plan related to material investment or acquisition of assets.

MATERIAL ACQUISITION AND DISPOSAL OF ASSETS

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

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

FOREIGN EXCHANGE RISKS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH LAWS, REGULATIONS AND CORPORATE GOVERNANCE CODE

The Group's business is subject to a number of laws and regulations and other requirements, including the Company Law of the People's Republic of China, the Civil Code of the People's Republic of China, the Labour Law of the People's Republic of China, the Advertising Law of the People's Republic of China, Several Provisions on Integrity of Press, Publication, Radio, Film and Television Practitioners, Self-disciplinary Convention on Professional Ethics for Press, Publication, Radio, Film and Television Practitioners, Hong Kong Companies Ordinance (Cap. 622), Hong Kong Securities and Futures Ordinance and the Listing Rules.

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

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

FOR THE YEAR ENDED 31 DECEMBER 2020**EXECUTIVE DIRECTORS**

Mr. Ji Chuanpai, aged 52, is the chairman of the Board and an executive director of the Company and currently the secretary of the Party Committee, president of BYDA and a senior journalist. Mr. Ji obtained a bachelor's degree in Chinese language and literature from the Department of Chinese Language and Literature of Shandong University and a master's degree of law in International Relations from the School of International Studies of Peking University. Mr. Ji worked for Beijing Daily from January 1999 to November 2014 and served as the director of social news department, the director of political news department, a member of the editing committee, and the director of cultural news department of Beijing Daily. Mr. Ji served as the deputy editor in chief of Qian Xian magazine of the Beijing Committee of the Communist Party of China from November 2014 to April 2018. Mr. Ji has served as the secretary of the Party Committee and president of BYDA since April 2018. Mr. Ji was appointed as a Director on 28 June 2018.

Mr. Wu Bin, aged 52, is an executive director of the Company and acting president of the Company and currently the vice president of BYDA. Mr. Wu graduated from Adult Education College of Party School of Beijing Municipal Committee of Communist Party of China majoring in administrative management in 1999. Mr. Wu graduated from the Master of Business Administration (MBA) program in Asia International Open University (Macau) in April 2003. Mr. Wu successively served in various positions in China Communist Youth League Beijing Committee from April 1993 to January 2004, including staff member, deputy principal staff member, principal staff member and deputy director. Mr. Wu joined BYDA in January 2004, and had served in various positions, including deputy director, director and vice president. Mr. Wu has over 16 years of experience in media business. Mr. Wu was appointed as a non-executive Director of the Company on 30 June 2017 and an executive Director and acting president on 22 November 2019.

Mr. Shang Da, aged 58, is an executive director of the Company, the vice president, the joint company secretary and the secretary to the Board. Mr. Shang obtained a bachelor's degree in trade and economics from Capital University of Economics and Business and an EMBA degree from Dongbei University of Finance and Economics. Mr. Shang served as the secretary to the Board since 28 May 2001 and was appointed as the vice president of the Company on 13 December 2011 and joint company secretary on 19 March 2012, and he also served as director and supervisor of certain subsidiaries of the Company. Mr. Shang has also been an affiliated person of Hong Kong Institute of Chartered Secretaries since 2005. Mr. Shang, by virtue of his relevant experiences, has been confirmed capable of discharging the functions of company secretary by the Hong Kong Stock Exchange in March 2015 pursuant to the note 2 to Rule 3.28 of the Listing Rules and qualified for the position of company secretary under the Listing Rules. Mr. Shang was appointed as a Director on 30 June 2016.

Ms. Liu Jia, aged 38, is an executive director of the Company and the director of the board office of the Company. Ms. Liu obtained a bachelor's degree in management with a major in information management and information system from Central University of Finance and Economics in 2005. Ms. Liu joined BYDA in July 2005 and served for integrated management, remuneration management, training supervision and performance management of the human resources department of BYDA. Ms. Liu joined the Company in July 2013 and has served as the assistant to secretary of the Board, deputy director and director of the board office. Ms. Liu has also served as a director of Beijing International Advertising Media Group Limited since 28 December 2016. Ms. Liu was appointed as a Director on 21 June 2019.

NON-EXECUTIVE DIRECTORS

Mr. Sun Fang, aged 47, is a non-executive director of the Company. Mr. Sun obtained a bachelor's degree in law from Renmin University of China in July 1995 and an EMBA degree from School of Economics and Management of Tsinghua University in March 2010 respectively, and was qualified as practicing securities investment analyst in 2004 and fund practitioner in 2016. Mr. Sun worked for China Beijing TV Station from 1995 to 2010 and served successively as the editor and reporter of Nightly News (《晚間新聞》), editor in charge of Beijing NEWS (《北京新聞》), editor in chief of Capital Economics Report (《首都經濟報道》) and EVENING NEWS REPORT (《晚間新聞報道》), producer of Securities Infinite (《證券無限》) and World Finance and Economics (《天下財經》) for Beijing TV Finance Channel. Mr. Sun served as the general manager of Shouhua Financial and Economic Media Corporation Limited (首華財經傳媒有限公司) from September 2010 to December 2012. Mr. Sun served as the chief executive of Beijing STARS Fund Investment Limited from January 2013 and a director of Chang Jiang Culture Co., Ltd. (837747.OC) from January 2016 to August 2019 and a chairman of China B-TO-B Holdings Ltd. from April 2017. Mr. Sun was appointed as a Director on 28 June 2018.

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

Ms. Zang Furong (臧福榮) (formerly named as Zang Furong (藏福榮)), aged 60, is a former non-executive director of the Company and was a member of the Party Committee, chairman of the labour union, and director of inspection office in BYDA. Ms. Zang graduated from Beijing Fengtai Normal College majoring in physics in 1980, from Beijing Institute of Education majoring in ideological and political education in 1987, and from Party School of the Central Committee of Communist Party of China majoring in economics in 1994. From 1980 to August 1984, Ms. Zang served as a teacher in Fengtai No. 5 Middle School in Fengtai District, Beijing. From August 1984 to August 1988, Ms. Zang served in the Middle School Department of China Communist Youth League Fengtai Committee in Beijing successively in various positions such as officer and minister, and concurrently served in Fengtai Bureau of Education as the secretary of China Communist Youth League Committee from January 1986 to August 1988. From August 1988 to September 1993, Ms. Zang served in the Middle School Department of China Communist Youth League Beijing Committee as deputy director and director, successively. Ms. Zang joined BYDA in March 1993, and had successively served in various positions including the deputy general manager of Beijing Youth Daily Newspaper Corporation, director of inspection office, member of the Party Committee and chairman of the labour union. Ms. Zang has over 26 years of experience in media business. Ms. Zang was appointed as a Director on 30 June 2017. Ms. Zang resigned as a non-executive Director of the Company on 14 August 2020 due to reach of retirement age.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cui Enqing, aged 77, is an independent non-executive director of the Company and a senior economist. Mr. Cui graduated from the School of Economics of Peking University (one-year advanced course) in 1975 and graduated from the Party School of the Beijing Municipal Committee of the Communist Party of China with a junior college degree in economics and management in 1991. Mr. Cui had worked at the Communist Party Committee of Beijing Shijingshan District and had served as the deputy office head of district committee and the secretary of the youth league district committee, during 1965 to 1983. From 1983 to 1996, Mr. Cui served as the president of BYDA for 13 years, and also served as the deputy chairman and the manager of its operation and management committee of China Youth Newspaper Association (中國青年報刊協會). Mr. Cui also served as an adjunct professor of the School of Journalism and Communication of Renmin University of China. From 1998 to 2004, Mr. Cui served as the deputy secretary of Party Committee of Beijing Literary Federation (北京市文聯) and the standing deputy chairman and general secretary of Beijing Lao She Arts Foundation (北京老舍文藝基金會). In 2000, Mr. Cui established Beijing Star Daily (北京娛樂信報) and served as the president until 2004. Mr. Cui was appointed as a Director on 15 May 2013.

Mr. Chen Ji, aged 69, is an independent non-executive director of the Company. Mr. Chen graduated from Beijing Normal University Department of Chinese Language and Literature in 1976 and graduated from Beijing Administrative College with a postgraduate degree of economics and management in 1999. Mr. Chen, with approximately over 40 years of work experience, is a senior economist. From March 1981 to 1983, Mr. Chen successively served as a reporter, head of school team, and director of supplement department of BYDA. Mr. Chen served as the deputy chief editor of BYDA in 1983 and served as the chief editor of BYDA in 1988. Mr. Chen had served as the deputy general manager of Beijing North Star Industrial Group Company (北京北辰實業集團公司) since 1995 and held a concurrent position as the general legal counsel. Since 1997, he served as the deputy general manager (from July 1997 to June 2000) and executive director (from July 1997 to June 2000 and from June 2005 to 31 May 2012) of Beijing North Star Company Limited (a company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange). Mr. Chen was appointed as a Director on 15 May 2013.

Mr. Wu Changqi, aged 65, is an independent non-executive director of the Company. Mr. Wu Changqi is currently serving as the dean of the School of Management of Shandong University, the president of Development Strategy Institute of the State High-Tech Development Zones of Peking University and Guanghua Cisco Leadership Institute of Guanghua School of Management of Peking University. Mr. Wu Changqi served as a lecturer and an assistant professor in economics of the Business School of Hong Kong University of Science and Technology in 1991 and 1994, respectively. Mr. Wu Changqi has been a professor and PhD supervisor in strategic management of the Guanghua School of Management of Peking University since 2001. He served as the head of the Department of Strategic Management of the Guanghua School of Management of Peking University from 2001 to 2010, the director of the EMBA Centre of the Guanghua School of Management of Peking University from 2002 to 2010 and the associate dean of the Guanghua School of Management of Peking University from 2003 to 2010. Mr. Wu Changqi graduated from Shandong University with a bachelor's degree in economics in 1982, and obtained an MBA degree and a doctoral degree in applied economics from Katholieke Universiteit Leuven in Belgium in 1986 and 1990, respectively. Mr. Wu Changqi served as an independent non-executive Director from August 2004 to May 2013, and was re-appointed as a Director on 30 June 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Ms. Shi Hongying, aged 49, is an independent non-executive director of the Company. She obtained a bachelor's degree majoring in law and a master's degree majoring in law education from the Capital Normal University in July 1995 and July 2004 respectively and obtained the National Lawyer Qualification Certificate in 1998. Since July 1995, Ms. Shi has successively served in the Communist Youth League Committee, the Office of the Communist Party Committee and the Publicity Department of the Communist Party Committee of the Capital Normal University. She was transferred to the teaching position from January 2007 and now serves as an associate professor of the Capital Normal University. Ms. Shi served as a people's juror in the People's Court of Haidian District, a part-time lawyer at Beijing Zhenghai Law Firm (北京市正海律師事務所) and Beijing Yingdao Law Firm (北京市英島律師事務所) and currently works as a part-time lawyer at Beijing Yinghong Law Firm (北京英弘律師事務所). Ms. Shi also currently works as the director of the Professional Committee for Prevention and Defense of Work-Related Crime and the deputy director of the Rights and Interest Safeguarding Committee to Beijing Lawyers Association, a member of the Criminal Matters Committee and Right Protection Center to All China Lawyers Association, a managing director of the Legal Literature Research Institution, a special-term researcher of the Law Studies Research Institution to China Law Society, and a member of the Experts Group of Litigation Service Center of the Supreme People's Court of PRC and other social positions. Ms. Shi was appointed as a Director on 21 June 2019.

Mr. Chan Yee Ping, Michael, aged 44, is an independent non-executive director of the Company. He has more than ten years of experience in the areas of audit, financial management, corporate secretarial management and corporate governance. He graduated from The Hong Kong Polytechnic University with an honour bachelor's degree in accountancy. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He is a director of MCI CPA Limited, a certified public accountant firm in Hong Kong. He is currently serving as an independent non-executive director for three companies whose shares are listed on the Hong Kong Stock Exchange, namely China Sandi Holdings Limited (Stock Code: 910), China Wah Yan Healthcare Limited (formerly named as China Renji Medical Group Limited) (Stock Code: 648) and StarGlory Holdings Company Limited (formerly named as New Wisdom Holding Company Limited) (Stock Code: 8213). Mr. Chan has been serving as the company secretary of China Sunshine Paper Holdings Company Limited (Stock Code: 2002) since 2013. Since 2012, he also has been serving as a company secretary of another company whose shares are listed on the Main Board of the Hong Kong Stock Exchange, namely Northeast Electric Development Company Limited (Stock Code: 0042). From September 2017 to December 2018, he served as an independent non-executive director of Prosper One International Holdings Company Limited (Stock Code: 1470) whose shares are listed on the Main Board of the Hong Kong Stock Exchange. From November 2018 to January 2021, he also served as an independent non-executive director of Champion Alliance International Holdings Limited (Stock Code: 1629) whose shares are listed on the Main Board of the Hong Kong Stock Exchange. Mr. Chan was appointed as a Director on 19 June 2020.

Mr. Wu Tak Lung, aged 54, is a former independent non-executive director of the Company. Mr. Wu Tak Lung is a member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Hong Kong Securities and Investment Institute, the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong and the Hong Kong Institute of Chartered Secretaries. Mr. Wu Tak Lung was awarded the bachelor's degree of business administration in accounting by the Hong Kong Baptist University and the master's degree in business administration (MBA) jointly awarded by the University of Manchester and the University of Wales. Mr. Wu Tak Lung had worked in an international accounting firm namely Deloitte Touche Tohmatsu for five years, and then served in several listed and private companies in Hong Kong as head of corporate finance and executive director. Mr. Wu Tak Lung currently serves as an independent non-executive director of China Machinery Engineering Corporation (01829.HK), Sinomax Group Limited (01418.HK), Kam Hing Investment Holdings Limited (02307.HK), Henan Jinma Energy Company Limited (06885.HK) and Zhongguancun Science-Tech Leasing Co., Ltd. (01601.HK), which are listed on the Hong Kong Stock Exchange. During the last three years, Mr. Wu Tak Lung once served as an independent non-executive director of First Tractor Company Limited (0038.HK) (601038.SH), a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, Sinotrans Shipping Limited (delisted in January 2019, previous stock code: 00368.HK) and Huarong Investment Stock Corporation Limited (02277.HK), whose shares are or were listed on the Hong Kong Stock Exchange, and Olympic Circuit Technology Co., Ltd. (603920.SH), a company listed on the Shanghai Stock Exchange. Mr. Wu Tak Lung was appointed as a Director on 15 May 2013. Mr. Wu Tak Lung has resigned as an independent non-executive Director and the chairman of the Audit Committee of the Company on 21 April 2020 due to work reasons.

SUPERVISORS

Mr. Zhang Zhibing, aged 45, is the chairman of the Supervisory Committee and currently the director of the Party Committee Office of BYDA. Mr. Zhang graduated from Peking University in 1998 with a bachelor's degree in economics. Mr. Zhang served as the head of business planning of the corporate management department in Great Dragon Information Technology Co., Ltd. from August 1998 to November 2000. Mr. Zhang joined BYDA in December 2000, and had successively served in various positions including the office secretary, an assistant to the director of the Party Committee Office, and the director of the Party Affair Management and Party Committee Office. Mr. Zhang has nearly 20 years of experience in media business. Mr. Zhang was appointed as a Supervisor on 30 June 2017.

Mr. Zhang Chuanshui, aged 69, is a supervisor of the Company. He worked at No. 6 sub-factory in Li Ming Farm at Yunnan Province from May 1969 to October 1978. Mr. Zhang worked at the engineering team of Beijing Measuring Instruments Limited from November 1978 to 1985. From 1986 to April 1993, Mr. Zhang served as the chief of finance division of Beijing Hardware Tools Research Center. From May 1993 to September 2006, Mr. Zhang served as the deputy manager in the planning and finance department of Beijing Economic-Technological Investment & Development Corporation. Mr. Zhang is now retired. Mr. Zhang was appointed as a Supervisor on 7 June 2010.

Mr. Zhao Meng, aged 46, is a supervisor of the Company and currently the manager of the securities affairs department of China Satellite Communications Co., Ltd. (formerly known as China Satellite Communications Company Limited). Mr. Zhao graduated from Shandong University with a bachelor's degree in electronics engineering in 1998 and graduated from University of International Business and Economics with a master's degree in business administration in 2006. From 1998 to 1999, Mr. Zhao served as the project manager of Shandong Post And Telecom Engineering Co., Ltd. From 1999 to 2004, Mr. Zhao served as the project manager of Shandong Mobile Communication Engineering Department. From 2006 to 2007, Mr. Zhao served as the strategy and planning manager of the department of enterprise development of China Satellite Communication Co., Ltd. From 2008 to March 2009, Mr. Zhao served as the head of the department of strategy development of China Direct Broadcast Satellite Co., Ltd. From March 2009 to May 2017, Mr. Zhao served as the deputy manager of the department of enterprise development of China Satellite Communications Co., Ltd. From June 2017 to June 2019, Mr. Zhao has served as the manager of the department of listing of China Satellite Communications Co., Ltd. Since July 2019, Mr. Zhao has served as the manager of the securities affairs department of China Satellite Communications Co., Ltd. Mr. Zhao was appointed as a Supervisor on 15 May 2013.

Ms. Wang Sisi, aged 35, is a supervisor of the Company. Ms. Wang graduated from North China University of Technology with a master's degree in law. She worked in the Urban Management Commission of Beijing Dongcheng District from October 2008 to June 2013; she successively served as the head of general manager office, manager assistant of the safety management department, director assistant of the general manager office and other positions in Beijing Exhibition Center Group Co., Ltd. from June 2013 to December 2018; she joined the Company in January 2019 and has successively served as the deputy manager of administrative department and deputy director of the board office. Ms. Wang was elected as a Supervisor on 28 May 2020.

Ms. Xiao Guohui, aged 32, is a supervisor of the Company. Ms. Xiao graduated in 2011 from Harbin University of Commerce with a bachelor's degree in financial management. Ms. Xiao served as a senior auditor in ShineWing Certified Public Accountants from October 2011 to November 2016; Ms. Xiao joined Beijing Media Corporation Limited in December 2016 and served as the deputy manager of internal audit department. Ms. Xiao was elected as a Supervisor on 28 May 2020.

SUPERVISORS *(Continued)*

Ms. Yan Mengmeng (formerly named as Liu Yan), aged 56, is a former supervisor of the Company. Ms. Yan was awarded a postgraduate certificate in business management from the Capital University of Economics and Business. From June 1983 to June 1991, Ms. Yan worked as a secretary of the Office of the China Electronic Press Association and became a secretary of the Office of the Exhibition and Design Association under the China Electronic Press Association. Starting from June 1991, Ms. Yan joined BYDA as a coordinator of the laser phototypesetting office and was promoted to deputy director and then director of the laser phototypesetting office of BYDA in June 1992 and March 1993 respectively. From May 2001 to December 2019, Ms. Yan was transferred from BYDA to the Company as the head of laser phototypesetting centre. Ms. Yan was elected as a Supervisor on 7 June 2010. Ms. Yan has resigned as an employee representative supervisor of the Company on 28 May 2020 due to work reasons.

Ms. Zhang Bo, aged 40, is a former supervisor of the Company. Ms. Zhang graduated in 2005 from the Department of Sociology of Peking University with a master's degree. Joining BYDA in July 2005, Ms. Zhang has served as a secretary, the chief secretary of the Secretarial Division of the Office and an assistant to the director of the Party Committee Office of BYDA. From December 2015 to September 2019, Ms. Zhang was transferred from BYDA to the Company as the manager of the Human Resources Department. Ms. Zhang also serves as the chairman and general manager of Beijing Youth Online Culture and Communication Co., Ltd., a subsidiary of the Company, from April 2017 to September 2019. Ms. Zhang was elected as a Supervisor on 5 December 2017. Ms. Zhang has resigned as an employee representative supervisor of the Company on 28 May 2020 due to personal reasons.

SENIOR MANAGEMENT

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

Mr. Du Min, aged 53, is the executive vice president of the Company. Mr. Du graduated in 1991 from Renmin University of China with a bachelor's degree in law. Mr. Du attended a master's program of journalism at Renmin University of China from 1993 to 1995, graduated from Wuhan University in 2013 with a doctoral degree. Mr. Du held a number of different positions such as editor, reporter and department head of China Business Times from July 1991 to July 1995. Mr. Du became the vice president and the deputy chief editor of China Business starting from August 1995. In September 1998, Mr. Du joined the America International Data Group's branch in China as a vice president. Mr. Du then served as the vice president of Shanghai Meining Computer Software Company Limited from July 2000 to September 2002 and became the general manager of the Company in December 2002. Mr. Du was an executive Director from 30 December 2002 to 7 June 2010. Mr. Du was appointed as the executive vice president of the Company in October 2004.

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

REPORT OF THE BOARD OF DIRECTORS

The Board is pleased to present the annual report and the audited consolidated financial statements for the year ended 31 December 2020.

ISSUE AND LISTING OF SHARES

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

The highest and lowest trading prices of the Company's H Shares per share were HKD1.45 and HKD0.51 respectively for the year ended 31 December 2020. On 31 December 2020 (the last trading day in 2020), the transaction volume was 0 share and the closing price was HKD0.76 per share.

ACCOUNTS

Financial position of the Group as at 31 December 2020 is set out on pages 67 to 68 of the consolidated balance sheet.

Results of the Group for the year ended 31 December 2020 are set out on pages 69 to 70 of the consolidated income statement.

Cash flows of the Group for the year ended 31 December 2020 are set out on pages 71 to 72 of consolidated cash flow statement.

Changes in equity of the Group for the year ended 31 December 2020 are set out on page 73 of the consolidated statement of changes in shareholders' equity.

PRINCIPAL BUSINESS

The Group is principally engaged in the sales of advertising space, production and printing of newspapers and trading of print-related materials. Details of the business of the Company's principal subsidiaries are set out in Note X. "Disclosure of Interests in Other Entities" to the financial statements. Discussion on major risks and uncertainties faced by the Group and discussions in respect of the possible future development of business of the Group, are included in the sections headed "Management Discussion and Analysis" and "Corporate Governance Report" of this annual report.

DIVIDEND

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

- a. The Company's actual financial performance and expected financial performance;
- b. The Group's debt-to-equity ratio, return on share capital and financial contractual commitments;
- c. Undistributed profits and distributable reserves of the Company and each member of the Group;
- d. The Group's demand for expected working capital and its future strategic plans;
- e. Tax considerations;
- f. Possible impact on the Company's reputation;
- g. Legal and regulatory restrictions; and
- h. Any other factors that the Board may consider relevant.

The Board did not propose the payment of a final dividend for the year ended 31 December 2020.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2020, the total purchase by the Group from its five largest suppliers was RMB123,644 thousand (2019: RMB59,840 thousand), accounting for 64.25% of its total purchase for the year of 2020 (2019: 28.15%); and the purchase from the largest supplier was RMB65,285 thousand (2019: RMB20,723 thousand), accounting for 33.92% of its total purchase for the year of 2020 (2019: 9.75%). One of the five largest suppliers is related party of the Company; the cooperation term ranges from one year to twenty years, and the credit term for purchase of products generally ranges from 30 days to 90 days.

During the Reporting Period, the total sales by the Group to its five largest customers was RMB94,409 thousand (2019: RMB64,955 thousand), accounting for 43.45% of its total sales for the year of 2020 (2019: 29.53%); and the amount of sales to the largest customer was RMB38,248 thousand (2019: RMB20,937 thousand), accounting for 17.60% of its total sales for the year of 2020 (2019: 9.52%). None of the five largest customers is related party of the Company; the cooperation term ranges from one year to twenty years, and the agreed credit term generally does not exceed 30 days.

Among the above, the amount of purchase by the Group from BYDA, the controlling shareholder, and its subsidiaries during the Reporting Period was RMB16,712 thousand. Besides, as far as the Directors are aware, none of the Directors, their close associates nor Shareholders holding more than 5% of the Company's issued shares has any interest in the Group's five largest suppliers or customers.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

As at 31 December 2020, the subsidiaries of the Company included BYD Logistics, Beiqing Long Teng, Beiqing CéCi, Beiqing Network Culture, Beiqing Community Media, Beiqing Outdoor, Chongqing Media and CHONGQING YOUTH (AMERICA) LLC.

As at 31 December 2020, the associates of the Company included Beiqing Top, Beijing Leisure Trend Advertising Company Limited, Beijing Shengyi Automobile Technology Service Co., Ltd. (formerly known as Beijing Beiqing Shengda Automobile Service Company Limited), Beijing Beisheng United Insurance Agency Co., Ltd., BY Time Consulting Co., Ltd., Hebei Jujingcai E-commerce Company Limited, Chongqing Soyang Internet Technology Co., Ltd., BIAC and Beijing Shangyou Network Technology Co., Ltd.

For details of principal subsidiaries, joint ventures and associates of the Company, please refer to Note X. "Disclosure of Interests in Other Entities" to the Financial Statements in this annual report.

RESERVES

The change in reserve during the Reporting Period is set out in the consolidated statement of changes in Shareholders' equity on page 73 of this annual report. According to the Company Law and the Articles of Association, reserves consist of capital reserves, surplus reserves and undistributed profits.

FIXED ASSETS

The changes in investment properties and fixed assets during the Reporting Period are set out in Note VIII.11. "Investment properties" and VIII.12. "Fixed assets" to the Financial Statements in this annual report, respectively.

SHARE CAPITAL, SHARE CAPITAL STRUCTURE AND NUMBER OF SHAREHOLDERS

As at 31 December 2020, the total number of shares issued by the Company was 197,310,000 shares. The Shareholders of the Company include BYDA, Beijing Chengshang Cultural Communication Co., Ltd., China Telecommunication Broadcast Satellite Co., Ltd., Beijing Development Area Ltd., Sino Television Co., Ltd. and public Shareholders of H Shares, holding 124,839,974 Domestic Shares, 7,367,000 Domestic Shares, 4,263,117 Domestic Shares, 2,986,109 Domestic Shares, 2,952,800 Domestic Shares and 54,901,000 H Shares respectively, representing 63.27%, 3.73%, 2.16%, 1.52%, 1.50% and 27.82% of the Company's total share capital, respectively.

Class of Shares	Number of issued shares	Percentage	Number of Shareholders*
Domestic Shares	142,409,000	72.18%	5
H Shares	54,901,000	27.82%	293
Total	197,310,000	100%	298

* The above mentioned percentage figures are based on the records in the Company's register of members as at 31 December 2020.

PUBLIC FLOAT

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, so far as the Directors, Supervisors and chief executives of the Company are aware, according to the register of interests and/or short positions in shares required to be kept pursuant to Section 336 of Part XV of the SFO, the persons in the following table had an interest and/or short position in the shares or underlying shares of the Company:

Name of shareholders	Capacity	H Shares/ Domestic Shares	Nature of interest	Number of Domestic Shares H Shares/ held	Percentage of H Shares/ Domestic Shares issued over total Domestic Shares respectively	Percentage in total issued share capital of the Company
BYDA	Beneficial owner	Domestic Shares	N/A	124,839,974	87.66	63.27
Beijing Chengshang Cultural Communication Co., Ltd. <i>Note 1</i>	Beneficial owner	Domestic Shares	N/A	7,367,000	5.17	3.73
Guofu Shangtong Information and Technology Development Co., Ltd. <i>Note 1</i>	Interest of controlled corporation	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>Note 3 & Note 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 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
Aggregate Asset Management Pte Ltd.	Investment manager	H Shares	Long position	3,320,500	6.05	1.68

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. Guofu Shangtong Information and Technology Development Co., Ltd. directly owns 42.86% of Beijing Chengshang Cultural Communication Co., Ltd. and is therefore deemed to have an interest in the 7,367,000 Domestic Shares registered in the name of Beijing Chengshang Cultural Communication Co., Ltd. under the SFO.
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 knowledge of the Directors, Supervisors and chief executives of the Company, as at 31 December 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.

ULTIMATE CONTROLLING SHAREHOLDER

BYDA is the ultimate controlling shareholder of the Company. As at 31 December 2020, BYDA owned 63.27% equity interest in the Company.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

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

PERMITTED INDEMNITY PROVISION

The Company maintained Directors liability insurance to protect them from all costs, charges, losses, expenses and liabilities incurred in the execution and discharge of their duties or related thereto pursuant to the applicable laws and within the scope of Director's liability insurance. Such provisions were in force during the year ended 31 December 2020 and remain in force as of the date of this report.

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

Neither the Company nor any of its subsidiaries has entered into any transaction, arrangement or contract of significance impact to the business of the Company or its controlling companies, subsidiaries and fellow subsidiaries in which any Director or Supervisor or their respective connected entities had material interests as at the balance sheet date of 2020 or at any time during the Reporting Period.

MANAGEMENT CONTRACT

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

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

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

EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the emoluments of Directors, Supervisors and senior management are set out in Note VIII.47. "Remuneration of Directors, Supervisors and Employees" to the Financial Statements.

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

Mr. Zhao Meng, a supervisor of the Company, voluntarily waived to receive remuneration from the Company on 5 September 2018. Save as disclosed above, during the Reporting Period, there was no arrangement whereby any other director or supervisor of the Company waived to receive the remuneration from the Company.

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

As at 31 December 2020, none of Directors, Supervisors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Hong Kong Stock Exchange.

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CHANGES OF MEMBERS OF THE BOARD AND THE SUPERVISORY COMMITTEE

On 21 April 2020, Mr. Wu Tak Lung resigned as an independent non-executive Director and the 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 an 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 an 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 supervisor. 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 a 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.

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

AUDIT COMMITTEE

The Company has set up an Audit Committee in accordance with the requirements of the Listing Rules to review, supervise and adjust the financial reporting process and internal control of the Group. The Audit Committee comprises three independent non-executive Directors.

The Audit Committee and the management of the Company have reviewed the accounting principles and practices adopted by the Group. In addition, the Audit Committee has discussed with the Directors on matters concerning the internal control and financial reporting of the Company, including reviewing the audited consolidated financial statements of the Group for the year of 2020 without dissenting opinions.

PRE-EMPTIVE RIGHTS

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

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

As at 31 December 2020, the bank borrowings of the Group were Nil.

CONNECTED TRANSACTIONS

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

Transactions — Non-exempt Connected Transactions**1. Non-competition Agreement**

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

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

2. Mutual Property Tenancy Agreement

The Company renewed the mutual property tenancy agreement with the Parent on 12 November 2018 for a term from 1 January 2019 to 31 December 2021. Upon expiry, the mutual property tenancy agreement will, subject to the compliance with the relevant requirements under the Listing Rules and the agreement of the parties, be renewed for a further term of three years. Pursuant to the mutual property tenancy agreement, the Parent agreed to lease from the Company the whole of 5th floor, the floor area of 622.5 square meters on 8th floor, the whole of 19th floor, and the whole of 23rd floor of the Beijing Youth Daily Agency Building amounting to a total floor area of 2,962.5 square meters; whereas the Company agreed to lease from the Parent the whole of 7th floor of the Beijing Youth Daily Agency Building amounting to a total floor area of 830 square meters.

The annual rental of RMB6,812,268.75 payable by the Parent under the mutual property tenancy agreement throughout the tenancy period is calculated based on a daily rental of RMB6.3 per square meter which remains the same during the period of the three years ending 31 December 2021. The annual rental of RMB6,000,000 payable by the Company under the mutual property tenancy agreement throughout the tenancy period is calculated based on a daily rental of RMB6.3 per square meter which remains the same during the period of the three years ending 31 December 2021. For details, please refer to the announcement of the Company dated 12 November 2018.

The Parent is the controlling Shareholder of the Company, and therefore a connected person of the Company under the Listing Rules. During the Reporting Period, the annual cap for rental payable by the Parent to the Company was RMB6,812,268.75, while the actual rental received by the Company from the Parent was RMB6,249,787.84. The annual cap for rental payable by the Company to the Parent was RMB6,000,000, while the actual rental paid by the Company to the Parent was RMB1,750,995.41.

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

The Company and the Parent entered into the advertising agency framework agreement on 12 November 2018 to renew for a term of three years with effect from 1 January 2019 to 31 December 2021. Under the renewed advertising agency framework agreement, the annual caps in respect of the advertising fee payable by the Parent Group to the Group for each of the three years ending 31 December 2021 are all RMB5,000,000; the annual caps in respect of the advertising fee payable by the Group to the Parent Group for each of the three years ending 31 December 2021 are all RMB5,000,000. On 27 February 2019, the Company revised the annual caps in respect of the advertising fee payable by the Group to the Parent Group for each of the three years ending 31 December 2021 from RMB5,000,000 to RMB16,000,000, and the annual caps in respect of the advertising fee payable by the Parent Group to the Group for each of the three years ending 31 December 2021 remain unchanged. Upon expiry, the advertising agency framework agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years. Pursuant to the advertising agency framework agreement, (1) the Parent shall authorize the Group to act as the advertising agent of the Parent Group to sell advertising space in the journals or media and the emerging media resources in the possession of or represented by the Parent Group (excluding Beijing Youth Daily) and to provide related services; and (2) the Company shall authorize the Parent Group to act as the advertising agent of the Group to sell advertising space in the Beijing Youth Daily and other journals or media and the emerging media resources in the possession of or represented by the Group and to provide related services. Under the advertising agency framework agreement, the price shall be determined in accordance with the contract price agreed by the Company and the Parent, which shall be no less favorable to the Company than those available to independent third parties. The contract price shall be determined after arm's length negotiations between the Company and the Parent according to unit price set out in the standard advertising price lists of the Company (subject to applicable discounts: generally at around 30%–50% discount which is also applicable to independent third parties and thus no less favorable than discount available to independent third parties, and the specific discount is determined also with reference to the industry nature, market circumstances, placement position and publishing time, etc.), actual placement quantity, size and other factors. The standard price lists of the Company and the Parent are determined with reference to the placement size, placement position and the placement color (color or black and white) and are disclosed on the advertising rate card formulated and published by the Company and the Parent in that year, respectively. The aforesaid standard price lists of the Company and the Parent are also applicable to advertising agency agreements with other independent third parties. The Company believes that the standard price list is fair and reasonable, and on normal commercial terms. The consideration under the advertising agency framework agreement are payable by cash in a lump sum or by installments according to the specific and separate implementation agreements and funded by the relevant party's internal resources. For details, please refer to the announcements of the Company dated 12 November 2018 and 27 February 2019.

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

During the Reporting Period, the annual cap of advertising fee payable by the Parent Group to the Group was RMB5,000,000 and the actual amount paid was RMB0. The annual cap of advertising fee payable by the Group to the Parent Group was RMB16,000,000 and the actual amount paid was RMB13,049,846.04.

CONNECTED TRANSACTIONS (Continued)**Transactions — Non-exempt Connected Transactions** (Continued)**4. Advertising Business Agreement**

The Company and the Parent entered into the advertising business agreement and the supplemental agreement of advertising business agreement on 7 December 2004 and 9 April 2010, respectively. Pursuant to such agreements, the Parent agreed to grant exclusive rights to the Company to operate the advertising business in respect of the Beijing Youth Daily for a duration of 30 years from 1 October 2004 to 30 September 2033, which will automatically be renewed upon expiry, subject to compliance with the requirements of the Listing Rules. The rights granted include the right to sell all of the advertising space in Beijing Youth Daily, and the Company is entitled to all revenue from such sales. As consideration, the Company will: (a) be responsible for the printing, including printing costs and the choice of newsprint of Beijing Youth Daily; (b) pay the Parent a fee representing 16.5% of the total advertising revenue generated from Beijing Youth Daily or such figure or formula as agreed by parties in the future; and (c) allocate to the Parent up to 360 pages per year of advertising space in Beijing Youth Daily for publicity announcements and notices per year (provided that the advertising space allocated will not exceed 9% of the total advertising space of the paper in each issuance), for which no fee will be paid by the Parent. The consideration under the advertising business agreement is payable by cash on a monthly basis according to the advertising business agreement and funded by the Company's internal resources. On 12 November 2018, the Company renewed the annual caps of the transactions for the three years ending 31 December 2021. For details, please refer to the announcement of the Company dated 12 November 2018.

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

During the Reporting Period, the annual cap for fees payable by the Company to the Parent was RMB13,500,000, and the actual fees paid were RMB4,055,446.10.

5. Printing Framework Agreement

BYD Logistics and the Parent renewed the printing framework agreement on 12 November 2018 for a term from 1 January 2019 to 31 December 2021. Upon expiry, the printing framework agreement will, subject to the relevant requirements under the Listing Rules and the agreement of the parties, be renewed for a further term of three years. Pursuant to the printing framework agreement, BYD Logistics has agreed to provide printing services and printing materials to the Parent in respect of the relevant newspapers and magazines of the Parent (excluding Beijing Youth Daily) and other newspapers and magazines of the Parent which may be introduced by it from time to time. Under the printing framework agreement, the price shall be determined in accordance with the following pricing principles: 1) the relevant market price, which is determined by reference to the prevailing market prices for comparable services which are available on an arm's length basis and provided by at least two independent service providers located in the same region or surrounding areas thereof; and 2) where there is no relevant market price, then the contracted price agreed by both parties shall be determined on the basis of reasonable cost plus reasonable profit margin: a) the reasonable cost shall be determined by reference to the operation cost and labor cost of the products and/or services provided by BYD Logistics, and the payback period; and b) the expected profit margin shall be not less than 13%, which is line with the industry and not lower than the profit rate charged to independent third parties by BYD Logistics. The above-mentioned range of profit is determined by reference to the profit margin of the prevailing market and the then market for the products and/or services as contemplated thereunder, the average profit margin in the related industry, and/or the overall profit margin of the BYD Logistics in the past years. The considerations under the printing framework agreement are payable by installments pursuant to the agreed payback period and according to the specific and separate implementation agreements and funded by the relevant party's internal resources. For details, please refer to the announcement of the Company dated 12 November 2018.

CONNECTED TRANSACTIONS *(Continued)***Transactions — Non-exempt Connected Transactions** *(Continued)***5. Printing Framework Agreement** *(Continued)*

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

During the Reporting Period, the annual cap for fees payable by the Parent to BYD Logistics was RMB13,000,000 and the actual fees paid were RMB788,742.49.

The Company has confirmed that the execution and enforcement of the implementation agreements under the continuing connected transactions set above for the year ended 31 December 2020 have followed the pricing principles of such continuing connected transactions.

The Directors (including the independent non-executive Directors) have confirmed to the Board that, after reviewing item 2 to item 5 in the above continuing connected transactions, that these transactions were: (A) entered into during the usual and ordinary course of business of the Group; (B) based on normal commercial terms or better terms; and (C) based on agreements regulating relevant transactions, on fair and reasonable terms, in the interests of the Company and the Shareholders as a whole and have not exceeded any cap for the aforesaid transactions.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with No. 3101 of the Chinese Institute of Certified Public Accountants Other Verifying Business Standards — Verifying Businesses Other Than the Audit or Review of Historical Financial Information issued by the Ministry of Finance of the PRC and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group above pursuant to Rule 14A.56 of the Listing Rules, that (i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board; (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in any material respect, in accordance with the pricing policies of the Group; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in any material respect, in accordance with the relevant agreements governing such transactions; and (iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the amount of each of the continuing connected transactions has exceeded the annual cap set by the Company. A copy of the auditor's letter on continuing connected transactions has been provided by the Company to the Hong Kong Stock Exchange.

Save as disclosed above, there is no related party transaction or continuing related party transaction included in Note XII. "RELATED PARTIES AND RELATED TRANSACTIONS" to the Financial Statements that constitutes a disclosable connected transaction or continuing connected transaction under the Listing Rules. The Company has complied with Chapter 14A of the Listing Rules in respect of the disclosure of its connected transactions and continuing connected transactions.

MATERIAL LITIGATION

In 2019, the Company filed a lawsuit against Beijing Transmedia Co., Ltd. (“BQTM”), its chairman Yang Jie and Centrin Data Systems Ltd., with the court, in relation to the outstanding advertising operation right contracting fees, management fees, accrued interests and liquidated damages. Judged by the No. 3 Intermediate People’s Court of Beijing Municipality, BQTM shall pay the Company the advertising fees, management fees, deposits, electricity fees, attorney fees and interests as of 25 March 2017 of RMB107,079,332.74 in aggregate and liquidated damage for late payment calculated based on RMB97,603,884.77 and the loan interest rate of the People’s Bank of China in the corresponding period and accrued from 26 March 2017 to the date of actual payment. Subsequently, BQTM appealed to the Beijing High People’s Court, which made a verdict on the judgment of second instance on 18 November 2020, dismissed the appeal of BQTM and upheld the original ruling. Please refer to the announcements of the Company dated 30 April 2019 and 25 November 2019 for details.

In 2019, the Company filed a lawsuit against Beijing Trans-media Co., Ltd. and Beijing Jihe Advertising Co., Ltd., with the court, in relation to the delinquent consideration for the equity transfer, and the court held that the parties involved shall apply for arbitration instead, and therefore rejected the lawsuit of the Company. Please refer to the announcement of the Company dated 1 February 2019 for details. The Company is actively seeking other legal channels to resolve relevant disputes, and will make timely disclosures in light of the progress of the case and the requirements of relevant applicable laws and regulations.

Save as disclosed above, to the knowledge of the Board, as at 31 December 2020, the Company was not involved in any material litigation or arbitration and there was no material legal action or claim that is outstanding or may arise or occur, which may pose material threat to the business and financial condition of the Group.

OTHER LAWSUIT

In 2019, Shanghai Xingjing Investment Centre Co., Ltd.* (上海星京投資管理中心 (有限公司)) (“Shanghai Xingjing”) and Teyin Nantong Equity Fund Management Centre (Limited Partnership)* (特銀南通股權投資基金管理中心 (有限合夥)) (“Teyin Nantong”), the shareholders of Beijing Community Media, brought a lawsuit concerning a dispute over the transfer of shares against the Company, Beijing Beijing Community Culture Media Investment Centre Limited Partnership* (北京北青社區文化傳媒投資中心 (有限合夥)) and Beijing Community Media (collectively, referred as “defendants”) respectively, with the court and required the defendants to pay jointly to Shanghai Xingjing of RMB45,000 thousand and Teyin Nantong of RMB15,000 thousand to acquire the entire equity interest of Beijing Community Media held by Shanghai Xingjing and Teyin Nantong. On 18 November 2020, the court ruled that the case of Teyin Nantong was withdrawn as Teyin Nantong failed to pay the case acceptance fee within the prescribed time. On 28 January 2021, the court ruled that the application for withdrawing the lawsuit of Shanghai Xingjing was approved. Therefore, as of the date of this report, to the knowledge of the Company, the court decided that the cases above have been withdrawn.

RETIREMENT SCHEME

All the full-time employees of the Group are covered by a government-managed retirement benefit scheme under which the employees are entitled to an annual pension equal to their basic salaries upon their retirement. The PRC government is responsible for payment of the pension. The Group was required to make defined contributions to the pension scheme at the rate of 16% of the employees' basic salaries for the year ended 31 December 2020 (2019: 16%), which is subject to certain caps as required by the relevant local government. Under this scheme, the Group has no obligation for other retirement benefit besides the annual contributions.

STAFF

As at 31 December 2020, the Group had a total of 298 staff members (31 December 2019: 327). The decrease in the number of the staff as compared with 2019 was mainly due to the reasonable decrease of the normal business needs of the Company and its subsidiaries. During the Reporting Period, the Group's employee remuneration amounted to approximately RMB47,271 thousand in total. The staff remuneration and benefits of the Group are both determined by reference to market rates, national policies and individual performance. The Group actively encouraged the self-development of the employees, and carried out abundant staff training activities. In 2020, the Group carried out a number of staff trainings in respect of new media, creative industries and connected transactions.

REMUNERATION POLICY

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

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

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

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

AUDITOR

It was approved at the annual general meeting of the Company held on 19 June 2020 that WUYIGE Certified Public Accountants LLP was re-appointed as the auditor of the Company for the year 2020, which shall audit the financial statements of the Company in accordance with the China Auditing Standards and take on the duties of international auditor under the Listing Rules. The Audit Committee was authorised to determine auditor's remuneration.

The consolidated financial statements of the Company for the year of 2020 prepared in accordance with the China Accounting Standards were audited by WUYIGE Certified Public Accountants LLP, which has been serving as the auditor of the Company since 2017.

TAXATION

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

By order of the Board
Ji Chuanpai
Chairman of the Board

26 March 2021
Beijing, the PRC

1. OVERVIEW OF CORPORATE GOVERNANCE

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

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

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

2. CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has been in compliance with the code provisions set out in the Corporate Governance Code under Appendix 14 to the Listing Rules.

3. COMPLIANCE WITH THE MODEL CODE

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

4. THE BOARD

The list below shows the composition of the Board and relevant information as at 31 December 2020:

Name	Gender	Age	Other positions in the Company	Term of Directorship	Whether to receive remuneration from the Company
Executive Directors					
Ji Chuanpai	M	52	Chairman	From 21 June 2019 to the 2021 annual general meeting of the Company	No
Wu Bin	M	52	Acting president	From 21 June 2019 to the 2021 annual general meeting of the Company	No
Shang Da	M	58	Vice president	From 21 June 2019 to the 2021 annual general meeting of the Company	Yes
Liu Jia	F	38		From 21 June 2019 to the 2021 annual general meeting of the Company	Yes
Non-executive Directors					
Sun Fang	M	47		From 21 June 2019 to the 2021 annual general meeting of the Company	Yes
Yang Qing	F	37		From 21 June 2019 to the 2021 annual general meeting of the Company	Yes
Independent Non-executive Directors					
Cui Enqing	M	77		From 21 June 2019 to the 2021 annual general meeting of the Company	Yes
Chen Ji	M	69		From 21 June 2019 to the 2021 annual general meeting of the Company	Yes
Wu Changqi	M	65		From 21 June 2019 to the 2021 annual general meeting of the Company	Yes
Shi Hongying	F	49		From 21 June 2019 to the 2021 annual general meeting of the Company	Yes
Chan Yee Ping, Michael ^{Note}	M	44		From 19 June 2020 to the 2021 annual general meeting of the Company	Yes

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

4. THE BOARD (Continued)

Note:

Upon the approval 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. 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.

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

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

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

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

4. THE BOARD *(Continued)*

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

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

	Attendance in person <i>(attendance rate)</i>	Attendance by proxy <i>(attendance rate)</i>
Executive Directors		
Ji Chuanpai	4/4	—
Wu Bin	4/4	—
Shang Da	4/4	—
Liu Jia	4/4	—
Non-executive Directors		
Zang Furong ^{Note 1}	3/3	—
Sun Fang	4/4	—
Yang Qing	3/4	1/4
Independent non-executive Directors		
Wu Tak Lung ^{Note 2}	2/2	—
Cui Enqing	4/4	—
Chen Ji	3/4	1/4
Wu Changqi	4/4	—
Shi Hongying	4/4	—
Chan Yee Ping, Michael ^{Note 3}	2/2	—

4. THE BOARD (Continued)

Notes:

1. On 14 August 2020, Ms. Zang Furong resigned as a non-executive Director of the Company due to reach of retirement age. Ms. Zang has attended three Board meetings of the Company convened during her tenure of service during the Reporting Period.
2. On 21 April 2020, Mr. Wu Tak Lung resigned as an independent non-executive Director and the chairman of the Audit Committee of the Company due to work reasons. Mr. Wu has attended two Board meetings of the Company convened during his tenure of service during the Reporting Period.
3. 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. Mr. Chan has attended two Board meetings of the Company convened during his tenure of service during the Reporting Period.

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

During the Reporting Period, in order to ensure that they contribute to the Board with comprehensive information under appropriate situation, all Directors (including Ji Chuanpai, Wu Bin, Shang Da, Liu Jia, Zang Furong, Sun Fang, Yang Qing, Wu Tak Lung, Cui Enqing, Chen Ji, Wu Changqi, Shi Hongying and Chan Yee Ping, Michael) actively participated in continuing professional development to develop and update their knowledge and skills. The Company regularly provided the Directors with Hong Kong Capital Market Regulatory Highlights and other relevant materials from the legal advisor, so that they were informed of the latest regulatory issues, punishment precedents and relevant regulatory documents of the latest Hong Kong capital market, and organized the legal advisor to provide professional trainings. During the Reporting Period, all Directors have obtained the aforementioned relevant materials during their tenure of service and actively participated in the Hong Kong capital market compliance training and trainings on the continuous obligations and violation punishments of directors of listed company from the legal advisor.

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

4. THE BOARD (Continued)

One general meeting, one Domestic Shareholders' class meeting and one H Shareholders' class meeting of the Company were convened during the Reporting Period, and the attendance rate of individual Directors at the general meeting is as follow:

	Attendance in person <i>(attendance rate)</i>	Attendance by proxy <i>(attendance rate)</i>
Executive Directors		
Ji Chuanpai	3/3	—
Wu Bin	3/3	—
Shang Da	3/3	—
Liu Jia	3/3	—
Non-executive Directors		
Zang Furong ^{Note 1}	3/3	—
Sun Fang	—	—
Yang Qing	3/3	—
Independent non-executive Directors		
Wu Tak Lung ^{Note 2}	—	—
Cui Enqing	3/3	—
Chen Ji	3/3	—
Wu Changqi	3/3	—
Shi Hongying	—	—
Chan Yee Ping, Michael ^{Note 3}	2/2	—

Notes:

- On 14 August 2020, Ms. Zang Furong resigned as a non-executive Director of the Company due to reach of retirement age. Ms. Zang has attended one general meeting, one Domestic Shareholders' class meeting and one H Shareholders' class meeting of the Company convened during her tenure of service during the Reporting Period.
- On 21 April 2020, Mr. Wu Tak Lung resigned as an independent non-executive Director and the chairman of the Audit Committee of the Company due to work reasons. No general meeting, Domestic Shareholders' class meeting and H Shareholders' class meeting of the Company was convened during his tenure of service during the Reporting Period.
- 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. No general meeting of the Company was convened during his tenure of service during the Reporting Period. He has attended one Domestic Shareholders' class meeting and one H Shareholders' class meeting of the Company convened during his tenure of service during the Reporting Period.

5. CHAIRMAN AND PRESIDENT

During the Reporting Period, the roles of chairman and president at the Company were performed by different individuals. As at 31 December 2020, Mr. Ji Chuanpai and Mr. Wu Bin took the positions of chairman and acting president of the Company respectively.

The two posts of the chairman and president are separate and distinct. The chairman does not assume the post of president of the Company simultaneously. Distinct written terms of reference have been adopted for these two posts. The chairman shall be responsible for overseeing the operation of the Board, while the president shall oversee the business operations of the Company. Please refer to the roles of the chairman and president set out in Article 97 and Article 109 of the Articles of Association of the Company for details.

6. NON-EXECUTIVE DIRECTORS

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

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

7. REMUNERATION COMMITTEE

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

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

For details of the basis of remuneration of Directors, please refer to Note VIII.47. "Remuneration of Directors, Supervisors and Employees" to the Financial Statements. The principal duties of the Remuneration Committee include but are not limited to:

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

7. REMUNERATION COMMITTEE *(Continued)*

Three meetings of the Remuneration Committee were convened during the Reporting Period, and the attendance rate of individual members at the meetings of the Remuneration Committee is as follows:

	Attendance in person <i>(attendance rate)</i>	Attendance by proxy <i>(attendance rate)</i>
Cui Enqing	3/3	—
Chen Ji	3/3	—
Wu Changqi	3/3	—

The Remuneration Committee held a meeting on 9 January 2020, at which it considered and approved the resolution on annual bonus for executive Directors and senior management of the Company.

The Remuneration Committee held a meeting on 21 June 2020, at which it considered and approved the resolution on determining the annual salary of Ms. Liu Jia for acting as an executive Director.

The Remuneration Committee held a meeting on 19 June 2020, at which it considered and approved the resolution on determining the annual salary of Mr. Chan Yee Ping, Michael for acting as an independent non-executive Director.

8. NOMINATION COMMITTEE

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

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

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

8. NOMINATION COMMITTEE *(Continued)*

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

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

	Attendance in person <i>(attendance rate)</i>	Attendance by proxy <i>(attendance rate)</i>
Ji Chuanpai	1/1	—
Chen Ji	1/1	—
Wu Changqi	1/1	—

The Nomination Committee of the Board of the Company held a meeting on 16 April 2020, at which it considered and approved the resolution on the nomination of Mr. Chan Yee Ping, Michael as a candidate for independent non-executive Director of the Company. In consideration of the appointment of Mr. Chan Yee Ping, Michael as the candidate of the independent non-executive Director, the Nomination Committee has considered his past performance, his written confirmation of independence to the Company under Rule 3.13 of Listing Rules and takes consideration of his skills, background, knowledge and experience. Mr. Chan Yee Ping, Michael has extensive experience in different areas, including audit, financial management, corporate secretarial management and corporate governance, etc.. In addition, his education, background, experience and practice enable him to provide relevant valuable opinions, and contribute to the diversity of the Board. He does not hold a position as a director in seven or more listed companies, therefore, he is able to devote sufficient time and attention to the Company. The Nomination Committee is of the view that Mr. Chan Yee Ping, Michael has satisfied the requirement of independence under Rule 3.13 of the Listing Rules with reference to his relevant confirmation.

9. AUDIT COMMITTEE

The Board has set up an Audit Committee comprising three independent non-executive Directors. The Audit Committee was chaired by Mr. Chan Yee Ping, Michael, with Mr. Cui Enqing and Mr. Wu Changqi as members.

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

- to be responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to deal with any questions of its resignation or dismissal;
- to examine annual audit plan submitted by the external auditor and provide opinions;

9. AUDIT COMMITTEE *(Continued)*

- to review and monitor the external auditor's independence and objectivity;
- to formulate and implement policy engaging an external auditor to provide non-audit services;
- to monitor the integrity of financial statements of the Company and its annual report, accounts, half year report and, if prepared for publication, quarterly reports, and to review significant opinion regarding financial reporting contained in the statements and reports;
- to review the Company's financial control, internal control and risk management systems;
- to discuss with the management the system of internal control to ensure that the management has discharged its duty to set up an effective internal control system; and
- to review the Company's financial and accounting policies and practices.

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

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

Two meetings of the Audit Committee were convened during the Reporting Period, and the attendance rate of individual members at the meetings of the Audit Committee is as follows:

	Attendance in person <i>(attendance rate)</i>	Attendance by proxy <i>(attendance rate)</i>
Chan Yee Ping, Michael <i>Note 1</i>	1/1	—
Wu Tak Lung <i>Note 2</i>	1/1	—
Wu Changqi	2/2	—
Cui Enqing	2/2	—

Notes:

1. Upon the approval at the seventh meeting of the seventh session of the Board of the Company held on 19 June 2020, the Audit Committee of the seventh session of the Board of the Company comprised Mr. Chan Yee Ping, Michael, Mr. Wu Changqi and Mr. Cui Enqing with Mr. Chan Yee Ping, Michael as the chairman. For details, please refer to the announcement of the Company dated 19 June 2020.
2. On 21 April 2020, Mr. Wu Tak Lung ceased to be the chairman of the Audit Committee. For details, please refer to the announcement of the Company dated 21 April 2020.

9. AUDIT COMMITTEE *(Continued)*

The Audit Committee of the Board of the Company held a meeting on 25 March 2020, at which it considered the results of the Group for the year of 2019; reviewed and evaluated the risk management and internal control systems as well as the effectiveness of the internal audit function of the Group for the year ended 31 December 2019; and considered and approved the resolutions to pay audit fees for the year 2019 (RMB1,780 thousand for annual audit and RMB20 thousand for reporting on continuing connected transactions) to WUYIGE Certified Public Accountants LLP and the resolutions in relation to the reappointment of WUYIGE Certified Public Accountants LLP as the auditor for Beijing Media for the year 2020.

The Audit Committee of the Board of the Company held a meeting on 27 August 2020, at which it considered the results of the Group for the first half of 2020 and reviewed and evaluated the risk management and internal control systems as well as the effectiveness of the internal audit function of the Group for the six months ended 30 June 2020.

The Company has been in full compliance with requirements of Rule 3.21 of the Listing Rules throughout the period from its listing on the Hong Kong Stock Exchange to 31 December 2020.

The Board is responsible for overseeing the preparation of financial statements for each financial period, so that the financial statements give a true and fair view of the operating position, results and cash flow of the Company during the period. When preparing the financial statements for the year ended 31 December 2020, the Board (1) selected and consistently applied appropriate accounting policies; (2) approved the adoption of all standards in line with the China Accounting Standards; and (3) made appropriate judgments and assessments in a prudent manner and adopted a going concern basis for preparation of financial statements. For the statement of reporting responsibility issued by WUYIGE Certified Public Accountants LLP, the auditor of the Company, please refer to the Report of the Auditor set out in this annual report.

10. REMUNERATION OF THE AUDITOR

The Company re-appointed WUYIGE Certified Public Accountants LLP as the auditor for the year 2020. As at 31 December 2020, annual fees for the audit services provided by WUYIGE Certified Public Accountants LLP to the Company amounted to RMB1,200 thousand. The fees for providing special audit services and non-audit services to the Group amounted to RMB0. WUYIGE Certified Public Accountants LLP has been providing audit service to the Company since 2017.

11. COMPANY SECRETARIES

Both of Mr. Shang Da and Mr. Yu Leung Fai, as the joint company secretaries of the Company, have confirmed their completion of relevant professional training for no less than 15 hours during the Reporting Period respectively.

12. RIGHTS OF SHAREHOLDER

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

Pursuant to the Articles of Association, an extraordinary general meeting shall be convened within two months upon request in writing by Shareholders holding individually or jointly 3% or above of the outstanding shares of the Company carrying voting rights, where shareholdings of the Shareholders shall be determined as on the date of submission of the relevant written request.

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

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

13. INVESTOR RELATIONS

(1) Material amendments to the Articles of Association

Approved at the annual general meeting convened on 19 June 2020, the Company made certain amendments to the Articles of Association to reflect the changes of notice period of the general meeting, shareholders' proposal right and convening procedures of the Company. For details, please refer to announcements dated 27 March, 19 June and 21 June 2020 and the circular dated 24 April 2020 of the Company published on the website of the Hong Kong Stock Exchange and the website of the Company.

Save as disclosed above, there was no material amendment to the Articles of Association during the Reporting Period.

(2) General meetings

During the Reporting Period, the Company convened one general meeting, one Domestic Shareholders' class meeting and one H Shareholders' class meeting.

The 2019 annual general meeting was held at 2:30 p.m. on 19 June 2020 at Conference Room 2104, 21st Floor, Beijing Youth Daily Agency Building A, No. 23 Baijiazhuang Dongli Chaoyang District, Beijing, the PRC, where resolutions in relation to amendments to the Articles of Association of the Company, the report of the Board for the year ended 31 December 2019, the report of the Supervisory Committee for the year ended 31 December 2019, the audited financial statements of the Company for the year ended 31 December 2019, the reappointment of WUYIGE Certified Public Accountants LLP as the Company's auditor for the year 2020, and the appointment of the Directors of the Company were considered and approved. On the same day, the Company also convened the Domestic Shareholders' class meeting and H Shareholders' class meeting to consider the resolutions in relation to certain matters of amendments to the Articles of Association of the Company. Please refer to the announcement of the Company dated 19 June 2020 for details.

(3) Important matters for Shareholders for the financial year of 2020

The 2020 annual general meeting of the Company will be held at 2:30 p.m. on 18 June 2021 at Conference Room 2104, 21st Floor, Beijing Youth Daily Agency Building A, No. 23 Baijiazhuang Dongli Chaoyang District, Beijing, the PRC.

(4) Market value of public float

The highest and lowest trading prices of the Company's H Shares during 2020 were HKD1.45 and HKD0.51 per share respectively. On 31 December 2020 (the last trading day in 2020), the transaction volume was 0 share and the closing price was HKD0.76 per share.

14. RISK MANAGEMENT AND INTERNAL CONTROL

- Risk management and internal control systems

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

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

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

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

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

- Risk management and internal control systems (Continued)

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

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

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

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

The capital risk and competition strategy risks were the major risks for 2020. Regarding the capital risk, the trend of the industry in 2020 adversely affected the print media. Companies had to adjust and optimize structures as well as explore new business domains. The capital pressure under this situation on business model driven by capital is apparent. As for the competition strategy risk, the traditional print media has been affected, the competition in the market of the new business domains was intense with little development potential, and the Company has been faced with huge pressure. In 2020, based on the actual situations of all aspects, the Company has formulated practical proposals to carry out effective management of risks in different ways. For example, the Group actively integrates online and offline resources, accelerates the advancement of optimized industrial and product integration, explores new areas, strengthens the association of integrated media and expands its customer base, while continuing to strengthen operation management, closely follow up and strengthen the supervision of customers' credit risks to reduce their risks, and improve service quality to strive for more market share and enhance the Group's competitiveness.

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

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

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

The management workflows of the financial reports, information disclosure of the Company strictly follow the requirements of the Listing Rules and the Company has formulated and set up standard procedures for collection, sorting, examining and disclosure of information. The Company has put great emphasis on the treatment and announcement of inside information. Before disclosing the relevant information to the public, the Company ensured that the information is kept confidential absolutely, and made registration and filling of the people informed of such inside information. The Supervisory Committee monitored the management of inside information.

- Review of the effectiveness of risk management and internal control

The Group has set up the internal audit function through which the Board regularly carries out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems. During the year ended 31 December 2020, the Board has made two reviews on the effectiveness of the risk management and internal control systems of the Group through the Audit Committee, and the review period covers the year ended 31 December 2019 and the six months ended 30 June 2020, respectively. In March 2021, the Board also made a review on the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2020 through the Audit Committee. The scope of the above reviews includes all material control, including financial, operational and compliance control. In addition, the Board has reviewed the statement made by the management on the effectiveness of risk management and internal control.

In addition, the Company engaged an internal control advisor to evaluate and make recommendations for improvement on the internal control level of the Company during the last two years successively. According to the internal control advisor's review reports on the risk management and internal control of the Company for the year of 2020, the internal control issues indicated by the internal control advisor have been solved in the previous year. The Company will continuously take the rectification measures in terms of the corporate risks and internal control issues advised by internal control consultants during the year so as to further improve the risk management and internal control systems of the Group.

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

The Company has been actively taking the following internal control rectification measures:

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

From the above review and the review report of the internal control advisor, the Board is of the view that the resources, qualifications and experiences of the staff in the areas of accounting, internal audit and the financial reporting function and the training and budget of the staff of the Group are adequate.

15. CORPORATE GOVERNANCE

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

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

During the Reporting Period, the Board reviewed and supervised from time to time the implementation of a series of corporate governance documents, including the Articles of Association of Beijing Media Corporation Limited, Rules of Procedures of the Board, Rules of Procedures for the Audit Committee, Rules of Procedures for the Remuneration Committee, Rules of Procedures for the Nomination Committee and the Board Diversity Policy of the Company; reviewed and actively organized training and continuing professional development for Directors and senior management; reviewed and monitored whether there was any violation of laws and regulatory requirements by the Company; approved the Corporate Governance Report of the Company for the year 2020, and approved the disclosure on the website of the Hong Kong Stock Exchange and the Company's website of the same; and formulated, reviewed and supervised Shareholder communications policy to ensure its effectiveness.

16. BOARD DIVERSITY POLICY

The Board adopted the following board diversity policies:

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

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

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

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

1. CHANGES IN MEMBERS OF THE SUPERVISORY COMMITTEE IN 2020

On 28 May 2020, Ms. Yan Mengmeng resigned as an employee representative Supervisor of the Company due to work reasons. For details, please refer to the announcement of the Company dated 28 May 2020.

Upon approval by the meeting of the employee representatives of the Company convened on 28 May 2020, 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 an 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 Supervisor. For details, please refer to the announcement of the Company dated 28 May 2020.

2. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY IN 2020

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

(1) Financial Position of the Company

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

(2) Operation of the Company

The Supervisory Committee supervised the Company's operating activities. During the Reporting Period, the Supervisory Committee noticed the improvement of the formulating and implementation of its internal working procedures to gradually improve the Company's internal control system and to control various risks in the Company's operations. The Supervisory Committee is of view that the Company operates in compliance with the laws and regulations of the PRC, the Articles of Association and working procedures of the Company.

(3) Directors and Management of the Company

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

2. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY IN 2020 *(Continued)*

(4) Transactions of Merger & Acquisition or Disposal of Assets by the Group

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

(5) Fairness of Connected Transactions

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

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

Beijing Media Corporation Limited

Supervisory Committee

26 March 2021

1. ABOUT THE REPORT

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

Reporting Reference and Scope

This report has been prepared in accordance with Appendix 27 "Environmental, Social and Governance Reporting Guide" to the Listing Rules. The scope of this report covers the relevant situation of the Company and its subsidiaries during the period from 1 January 2020 to 31 December 2020.

2. ENVIRONMENTAL PROTECTION

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

The Group regularly assesses the risks of business environment, reviews environmental practices and adopts necessary preventive measures to reduce risks to ensure the compliance with relevant laws and regulations.

2. ENVIRONMENTAL PROTECTION (Continued)

2.1 Emission Management

The Group keeps a close eye on the latest development of climate change and devotes to reducing the emission of greenhouse gases and wasted gases during the course of operations so as to limit the impact on climate changes. The emission of greenhouse gases and wasted gases of the Group is mainly attributable to the use of vehicles for business and travelling purposes. The Group will hold meetings by way of telephone conference and email in place of physical meetings whenever it is possible to reduce the use of vehicles. Meanwhile, we regularly arrange the inspection and maintenance for these vehicles and ensure their components, including engines and tires, are working properly, for the purpose of enhancing the efficiency of gasoline consumption and finally reducing the emission of greenhouse gases and wasted gases.

During the Reporting Period, the emission of air pollutants and greenhouse gases of the Group is set out below:

	2020	2019	Changes
The emission of air pollutants:			
Emission of oxynitride (KG)	19.2446	24.3878	-21%
Emission of oxysulfide (KG)	0.0479	0.0608	-21%
Emission of particulate matter (KG)	1.8440	2.3368	-21%
The emission of greenhouse gases:			
Direct emission of greenhouse gases (Scope 1) (ton)	7.13	9.04	-21%
Indirect emission of greenhouse gases (Scope 2) (ton)	0.29	0.35	-17%
The emission density of greenhouse gases (ton per capita)	0.02	0.03	-13%

Scope 1: direct emission of greenhouse gases incurred from the sources owned and controlled by the Group (gasoline consumption caused by vehicles)

Scope 2: the emission of greenhouse gases indirectly caused by electricity, heating, and cooling (electricity power supply for office and water consumption)

2.2 Wastes Management

The Group always attaches great importance to waste management and implements the concept of green office. Daily office documents are delivered by email and we advocate two-sided copies for printing requisite documents, with an aim to encourage recycling of paper and reduce the unnecessary utilization of resources and wastes arising from such utilization. We conduct telephone conferences whenever it is possible to reduce the emission of wastes arising from the use of transport during long journeys caused by physical meetings. The Group follows "Regulations of Beijing Municipality on Domestic Waste Management" and promotes the concept of waste sorting by equipping with waste sorting and recycling facilities in office area. The Group regularly invites specialized recycling service providers to collect and recycle various used products.

During the Reporting Period, the Group produced total non-hazardous waste of 1.17 tons, among which the average production of non-hazardous waste amounted to 4 KG per capita. As to hazardous waste, we did not produce hazardous waste during the Reporting Period.

2. ENVIRONMENTAL PROTECTION (Continued)

2.3 Use and Management of Resources

Energy conservation and consumption reduction may not only optimize the environment but also reduce business cost. The Group sticks to the principle of “prior to saving” during the course of operations and takes a series of measures in order to improve utilization of resources. For instance, the Group has actively promoted the coordinated office platform to reduce the waste of paper and office consumables. The Group has reused a series of items when holding on-site events and exhibitions. The Group strongly advocates the water and electricity saving through various measures, including turning off lights and electrical appliances in idle rooms, placing save water signs in the pantries and lavatories to remind our employees not to waste water, and advocating reuse of non-edible water, for example, watering plants or cleaning floor with the water used for cleaning items, etc.

Through the aforesaid measures, the Group achieved good performance for energy saving, emission reduction, costs decrease and improvement of operating efficiency. During the Reporting Period, utilization of resources of the Group is as follows:

	2020	2019	Changes
Energy consumption			
Consumption volume of gasoline (Liter)	3,261.80	4,133.52	-21%
Consumption density of gasoline (Liter per capita)	10.95	12.41	-12%
Consumption volume of electricity (kWh)	434,522.75	523,167.75	-17%
Consumption density of electricity (kWh per capita)	1,458.13	1,571.07	-7%
Water consumption			
Total water consumption (ton)	3,146.25	4,390.50	-28%
Consumption volume of water (ton per capita)	10.56	13.18	-20%
Paper consumption			
Total paper consumption (KG)	21.63	27.34	-21%
Consumption density of paper (KG per capita)	0.07	0.08	-13%

As an enterprise for cultural publicity, there is no need for the Group to use packaging materials during the course of operations, so there is no environmental impact arising from the use of packaging materials. Although the core business of the Group has remote impact on the environment and natural resources, as a good company, the Group promises to endeavor to minimize the negative environmental impact of our business operations and our investment in order to achieve sustainable development.

3. STAFF MANAGEMENT

During the Reporting Period, the Group has strictly followed the requirements of the laws and regulations including the "Labour Law of the PRC", the "Labour Contract Law of the PRC", the "Implementing Regulations of the Labour Contract Law of the PRC", the "Prevention and Control of Occupational Diseases Law of the PRC", the "Law of the PRC on the Protection of Minors", and "Prohibition of Child Labour", and it has formulated certain internal systems such as Human Resources Management System, in accordance with the law to thoroughly protect the legal rights of staff, and jointly create a good labour-management relation. We have distributed an Employee Manual to every newly hired employee, so that the employees are aware of their rights and responsibilities in the areas such as, among others, group culture, employment arrangements, code of conduct, and career prospect.

3.1 Employment and Labour Standards

During the recruitment process, the overall qualities of applicants were the most important assessment elements for us, and all interviewees must undergo a series of strict selection process before being officially employed, including written tests regarding the related professional skill, comprehensive ability tests and interviews with the supervisors, etc. The Group would keep confidential all the interviewees' data strictly. The Group has strictly followed the requirements of the labour laws and regulations, and shall not allow child labour or forced labour to be involved in its operation. During the recruitment process, the Group strictly inspected the ages and identities of the applicants to ensure that the applicants have the legal working qualifications. During the Reporting Period, the Group did not find any use of child labour or forced labour. At the same time, the Group handles matters such as the termination of employment relations strictly in accordance with the provisions of the Labour Law, and its permanent employees may resign by making resignation applications 30 days in advance; and for those under probation, the resignation applications will need to be 3 days in advance.

As of 31 December 2020, the number of staff of the Group is set out below:

Classification	2020	2019	Changes
Total number of staff	298	327	-9%
Delineation by gender:			
female	158	175	-10%
male	140	152	-8%
Delineation by age group:			
under the age of 30	107	114	-6%
the age of 30 to 50	179	204	-12%
over the age of 50	12	9	33%
Delineation by employment types:			
ordinary staff	239	265	-10%
middle management	47	50	-6%
senior management	12	12	—
Delineation by area:			
Beijing	268	296	-9%
Chongqing	30	31	-3%

The Group is committed to maintaining a diversified development of the working environment, giving female employees the same rights and equal opportunities as male employees in pay, promotion and other aspects. The Group strictly prohibits all forms of discrimination, such as gender, regional, religious and nationality, and treats all types of employees equally. In respect of employee remuneration, the remuneration that the Group paid to the employee will not be less than the minimum wage standard specified by the local government. The Group has strictly followed the relevant national or local labour laws and regulations, and provided employees with welfare. Our employees can enjoy the social insurances required by the state (including pension, unemployment, medical and work injury), housing provident fund, medical subsidy, paid annual leave, paid sick leave, work-related injury leave, long-term sick leave, mourning leave and marriage leave, etc.

3. STAFF MANAGEMENT (Continued)

3.2 Health and Safety of Employees

The Group has always been focusing on the health and safety of employees. The Group arranges the employees to conduct comprehensive physical examination every year and sets up a staff clinic for our employees to provide health consultation and simple disease treatment services. The Group regularly cleans the working areas thoroughly and is committed to creating a safe and hygienic working environment for employees. In principle, the Group adopts a working and rest hour system of 8 working hours a day, 40 working hours a week and 2 rest hours at noon, and it also provides free lunch for its employees. The working and rest time of employees varies according to different regions and business requirements. The Group does not encourage employees to work overtime, respects the staff’s schedule, and encourages the employees to complete their work efficiently within 8 hours. The Group takes care of the interest and needs of female employees according to the “Special Rules on the Labour Protection for Female Employees”, and has implemented a special short working hour system for the lactation period. The Group attaches great importance to the opinions of employees and the labour union and has built a formal monitoring and management channel to maximise the protection for the interest of employees. The Group cares for the employees and has established a system to care for those employees in distress and sickness.

During the past three financial years, the Group did not have any employee death accidents due to work. During the Reporting Period, the loss for business day caused by work injury was zero.

3.3 Vocational Development for Employees

The Group attaches great importance to the personal development of employees by motivating the employees to enhance their expertise and personal skills, and their comprehensive abilities, so as to meet the development needs of the Group. The human resources department of the Group was responsible for developing the training programs. Upon completion of the training, the employees who took part in the training programs were required to submit the training satisfaction questionnaire or training reports so that the relevant department could continue to improve the contents of the training.

During the Reporting Period, participations in trainings of the employees of the Group are set out below:

	Number of employees participating in trainings	Number of employees	Proportion of trained employees
Delineation by employment types:			
ordinary staff	53	239	22%
middle management	47	47	100%
senior management	3	12	25%
			Average training hours of each employee (hour per capita)
Delineation by gender:			
female employee			18
male employee			17
Delineation by employment types:			
ordinary staff			19
middle management			14
senior management			13

The Group respects every employee, and has launched a variety of user-friendly arrangements and leisure activities for the staff to achieve work-life balance. During the Reporting Period, the Group organised various cultural and sports activities to promote its corporate culture and enrich the cultural life of its employees.

4. SUPPLY CHAIN MANAGEMENT

Suppliers are the Group's joint development partners. We are obliged to pass on the information and requirements of environmental protection and social responsibility to them, and we expect that suppliers can keep pace with us in this regard. In the process of selecting suppliers, except for product quality, delivery date and service quality, we also assess whether the suppliers perform their social corporate responsibilities, which is considered as one of the assessment factors of supplier review standards. Our purchasing employees conduct onsite investigation whenever necessary. Our company conducts assessment on factors including price, quality, delivery date and after-sales services, to our suppliers. Also, the assessment results will be informed to suppliers. For those who are continuously unqualified in the assessment, the termination of cooperation will be conducted upon reporting to and the approval acquired by, the management, in order to ensure the quality of suppliers.

As of 31 December 2020, the number of suppliers of the Group is set out below:

	Number of suppliers
Delineation by area:	
Beijing	111
Guangdong	4
Shanghai	4
Shandong	4
Tianjin	3
Hebei	2
Sichuan	2
Anhui	1
Hunan	1
Jilin	1
Jiangsu	1
Shanxi	1
Zhejiang	1

5. PRODUCT RESPONSIBILITY MANAGEMENT

Followed by the spirit of undertaking responsibility for consumers, the advertisement required to be published shall have an identity of legal operating entity, while advertisement reviewer shall conduct affirmation on the identity of legal operating advertiser. Upon the affirmation of the advertisers' legal identity, more reviews shall be carried out on the contents of advertisement provided by advertisers in accordance with the relevant laws and regulations, including the "Advertising Law of the PRC" and the "Anti-unfair Competition Law of the PRC". We uphold the principles of truth, objectiveness and fairness, prohibit themselves from compensated news and false news, and ensure the quality of production services without producing, endorsing or disseminating false advertisement, in order to spread positive energy, and pursue a healthy and progressive cultural taste. If there are complaints against the content of advertisements from readers, the department of advertisement review will, in coordination with the department of advertisement business, actively compensate the loss of readers based on specific situation.

During the Reporting Period, the Group had no products that did not comply with relevant health and safety regulations, and the product recovery rate was zero.

During the Reporting Period, the Group did not receive any complaints about advertising due to violations of the regulations of the press, publication, radio, film and television industry and applicable advertising laws and regulations.

5. PRODUCT RESPONSIBILITY MANAGEMENT *(Continued)*

The Group attaches great importance to customers’ privacy management in strict compliance with the “Law of the PRC on Guarding State Secrets” and other applicable laws and regulations in the PRC. In order to ensure that the information and privacy of clients are adequately safeguarded, the Group formulates the requirements of the information confidentiality management regulations and the file confidentiality system, and relevant responsible persons shall strictly keep confidentiality of all the confidential materials and information, and shall not expand the scope of insiders without authorisation. Meanwhile, they shall do proper work in keeping the confidential materials and information, and shall not allow confidential materials and information to be leaked out due to poor management. Without authorisation, they shall not duplicate, copy, or make copies by writing of confidential documents and data.

6. ANTI-CORRUPTION MANAGEMENT

The Group has committed to the prevention of corruption, and has strictly followed relevant laws and regulations, including the Criminal Law of the PRC, the Company Law of the PRC and the Anti-money Laundering Law of PRC. Meanwhile, the Group has formulated and introduced the Beijing Media Internal Corruption Incident Management Rules, refining the code of conduct that the internal employees and cooperation partners must follow, which describes the standards for handling of tender, gift, hospitality, donation and other situations. Besides, the Group also clearly defined the responsibilities of different departments in respect of anti-corruption, for example, recording financial transactions, auditing of business partners, regularly conducting internal audit to ensure the policies have been implemented effectively.

During the Reporting Period, we organized trainings relating to the prevention of misappropriation and commercial bribery for relevant management. The Group has carried out anti-bribery promotion, starting with the moral education of employees to nurture a clean and honest corporate culture on a regular basis. We have also followed the applicable laws governing health and safety standards, advertising and labeling.

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

During the Reporting Period, the Group did not have any corruption lawsuits against the Group or the Group’s employees, which fully reflects the effectiveness of our anti-corruption work.

7. COMMUNITY INVESTMENT

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

26 March 2021

“Articles of Association”	The articles of association of the Company as amended from time to time
“Audit Committee”	The audit committee under the Board
“Beiqing CéCi”	Beiqing CéCi Advertising (Beijing) Limited, a subsidiary of the Company
“Beiqing Community Media”	Beiqing Community Media Technology (Beijing) Co., Ltd., a subsidiary of the Company
“Beiqing Long Teng”	Beiqing Long Teng Investment Management (Beijing) Co., Limited, a subsidiary of the Company
“Beiqing Network Culture”	Beiqing Network Culture Communication Co., Ltd., a subsidiary of the Company
“Beiqing Outdoor”	Beijing Beiqing Outdoor Advertisement Co., Ltd., a subsidiary of the Company
“Beiqing Top”	Beijing Beiqing Top Advertising Limited, an associate of the Company
“BIAC”	Beijing International Advertising & Communication Group Co., Ltd., a limited company incorporated under the laws of the PRC
“Board”	The board of Directors of the Company
“BYD Logistics”	BYD Logistics Company Limited, a subsidiary of the Company
“China Accounting Standards”	The Accounting Standards for Business Enterprises in the PRC
“Chongqing Media”	Chongqing Youth Media Company Limited, a subsidiary of the Company
“Company”, “we”, “us” or “Beijing Media”	Beijing Media Corporation Limited, a joint stock limited company incorporated under the laws of the PRC and whose H Shares are listed and traded on the Hong Kong Stock Exchange
“Company Law”	The Company Law of the PRC
“Director(s)”	The director(s) of the Company
“Domestic Share(s)”	The ordinary share(s) of RMB1.00 per share in the share capital of the Company
“Group”	The Company and its subsidiaries
“H Share(s)”	The foreign share(s) listed overseas of RMB1.00 per share in the ordinary share capital of the Company
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

“Main Board”	The main board of the Hong Kong Stock Exchange
“Nomination Committee”	The nomination committee under the Board
“Parent” or “Beijing Youth Daily Agency” or “BYDA”	Beijing Youth Daily Agency, the controlling shareholder of the Company
“Parent Group”	Beijing Youth Daily Agency and its subsidiaries, not including the Group
“PRC” or “China”	The People’s Republic of China, excluding Hong Kong, Macau Special Administration Region and Taiwan for the purpose of this report
“Remuneration Committee”	The remuneration committee under the Board
“RMB”	Renminbi, the lawful currency of the PRC
“Reporting Period”	The year ended 31 December 2020
“SFO”	Securities and Futures Ordinance, Chapter 571 of Hong Kong Laws
“Shareholder(s)”	The shareholder(s) of the Company
“Supervisor(s)”	The supervisor(s) of the Company
“Supervisory Committee”	The supervisory committee of the Company



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DA XIN SHEN ZI [2021] No. 2-10029

To all Shareholders of Beijing Media Corporation Limited:

I. OPINION

We have audited the financial statements of Beijing Media Corporation Limited (hereafter referred to as “the Company”), which comprise the consolidated and the Parent’s balance sheets as at 31 December 2020, the consolidated and the Parent’s statements of income, the consolidated and the Parent’s statements of cash flows and the consolidated and the Parent’s statements of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the consolidated and the Parent’s financial position of the Company as at 31 December 2020, and of its consolidated and Parent’s financial performance and cash flows for the year then ended in all material aspects in accordance with Accounting Standards for Business Enterprises.

II. BASIS FOR OPINION

We conducted our audit in accordance with Chinese Certified Public Accountants Auditing Standards. Our responsibilities under those standards are further described in “the Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants and have fulfilled our other ethical responsibilities in accordance with the Code.

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

III. KEY AUDIT MATTERS

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

A Provision for bad debts of accounts receivable

1. The Matter

For policies and disclosures of the Company on provision for bad debts of accounts receivable, please refer to “V.10. Determination and accounting treatment methods of expected credit loss” and “VIII.3. Accounts receivable” in the notes. As at 31 December 2020, the balance of carrying amount of accounts receivable of the Company was RMB428,836 thousand, the balance of bad debt provision was RMB362,074 thousand, both were accounting for higher balances. The Company makes provision for bad debts based on the amount of the expected credit loss during the whole duration of the accounts receivable. When using this simplification of ECL model, the management shall properly group different customer segments according to historical experience, calculate the expected credit loss with reference to the historical credit loss situation, and apply significant accounting estimation and judgment. Therefore, we identified the provision for bad debts of accounts receivable as a key audit matter.

2. Audit response

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

- (1) Evaluate and test of the effectiveness of the design and operation of the internal control related to the credit policies and accounts receivable management of the Company;
- (2) Analyze the rationality of grouping of accounts receivable, including the determination basis of accounts receivable groups, the judgment of provision for bad debts on an individual basis, etc.;
- (3) Analyze the rationality of the use of the expected credit loss model, and review the calculation process of provision for bad debts based on the expected credit loss model and whether the bad debts provision of accounts receivable is sufficient;
- (4) Assess the rationality of provision for bad debts of accounts receivable by analysing the aging and customer payment of accounts receivable, and conducting practical analysis procedures;
- (5) Verify the existence of accounts receivable by implementing the audit enquiry to the customers who have the large amount of account receivable.

B. REVENUE RECOGNITION**1. The Matter**

For policies and disclosures of the Company on revenue recognition and classification, please refer to "V.22. Revenue" and "VIII.34. Total operating income, operating costs" in the notes. The Company is principally engaged in sales of advertising, printing and trading of print-related materials. The Company's operating income for 2020 was RMB217,291 thousand, representing a decrease of 1.2% as compared with 2019. Operating income is a key performance indicator of the Company, and there is an inherent risk that management manipulates the timing of revenue recognition to achieve specific goals or expectations. Therefore, we identified the recognition of revenue as a key audit matter.

2. Audit response

The procedures we conducted to measure revenue recognition, mainly include:

- (1) Evaluate and test the effectiveness of the design and operation of the internal control related to the recognition of revenue of the Company;
- (2) Sample the sales contracts, identify the contract terms and conditions that related to the transfer of control and evaluate whether the revenue recognition method and timing of the Company is in accordance with the requirements of Accounting Standards for Enterprises;
- (3) Select samples for current year's revenue transactions by sampling method, check the Company's revenue-related sales contracts, sales invoices, dispatch list, placing order, advertising spaces, customer receipts and other documents, and evaluate whether the revenue recognition accord with the Company's revenue recognition accounting policies;
- (4) For the revenue recognized by the Company before and after the balance sheet date, select samples and check the related sales contracts, sales invoices, dispatch list, placing order, advertising spaces, customer receipts and other documents, in order to evaluate whether the revenue was recognized during the proper accounting period;
- (5) Implement the audit enquiry to the major customers of the Company, to confirm the sales amount of the current period and verify the authenticity and accuracy of sales revenue.

IV. OTHER INFORMATION

The management of the Company (hereafter referred to as “the management”) are responsible for the other information. The other information comprises all of the information included in the annual report of 2020 other than the financial statements and our auditor’s report thereon.

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

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

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP. Certified Public Accountant of China:
(Project partner)

Certified Public Accountant of China:

China. Beijing

March 26, 2021

For the year ended 31 December 2020

Item	Notes	RMB'000	
		As at 31 December 2020	As at 31 December 2019
Current assets:			
Bank balances and cash	VIII.1	240,221	217,264
Notes receivable	VIII.2	100	—
Accounts receivable	VIII.3	66,762	172,598
Prepayments	VIII.4	1,171	9,375
Other receivables	VIII.5	3,467	6,086
Inventories	VIII.6	13,460	12,181
Other current assets	VIII.7	31,716	35,212
Total current assets		356,897	452,716
Non-current assets			
Long-term equity investment	VIII.8	3,497	9,738
Other equity instruments investment	VIII.9	205,927	215,923
Other non-current financial assets	VIII.10	43,017	54,356
Investment properties	VIII.11	110,971	131,832
Fixed assets	VIII.12	776	2,078
Right-of-use assets	VIII.13	1,982	4,166
Intangible assets	VIII.14	20,029	20,981
Goodwill	VIII.15	—	—
Long-term deferred expenses		2,351	3,655
Deferred income tax assets	VIII.16	—	—
Other non-current assets	VIII.17	—	—
Total non-current assets		388,550	442,729
Total assets		745,447	895,445

Item	Notes	RMB'000	
		As at 31 December 2020	As at 31 December 2019
Current liabilities:			
Short-term loans		—	—
Notes payable	VIII.19	10,807	5,669
Accounts payable	VIII.20	13,335	10,306
Contractual liabilities	VIII.21	23,560	27,405
Employee benefit payables	VIII.22	5,887	7,689
Tax payables	VIII.23	4,452	382
Other payables	VIII.24	30,344	40,445
Non-current liabilities due within one year	VIII.25	218	239
Other current liabilities	VIII.26	1,556	—
Total current liabilities		90,159	92,135
Non-current liabilities			
Long-term loans		—	—
Leased liabilities	VIII.27	83	322
Deferred income tax liabilities	VIII.16	6,709	7,991
Total non-current liabilities		6,792	8,313
Total liabilities		96,951	100,448
Shareholders' equity:			
Share capital	VIII.28	197,310	197,310
Capital reserves	VIII.29	934,421	934,421
Other comprehensive income	VIII.30	95,834	105,909
Surplus reserves	VIII.31	130,931	130,931
Undistributed profits	VIII.32	(729,987)	(599,811)
Total equity attributable to shareholders of the Company		628,509	768,760
Non-controlling interest	VIII.33	19,987	26,237
Total shareholders' equity		648,496	794,997
Total liabilities and shareholders' equity		745,447	895,445
Net current assets		266,738	360,581
Total assets less current liabilities		655,288	803,310

For the year ended 31 December 2020

Item	Notes	RMB'000	
		For the year ended 31 December 2020	For the year ended 31 December 2019
Total operating income	VIII.34	217,291	219,927
Total operating costs		239,669	263,468
Operating costs	VIII.34	192,447	212,548
Tax and surcharges	VIII.35	1,964	5,375
Selling expenses		13,596	19,269
Administrative expenses		33,806	34,328
Financial expenses	VIII.36	(2,144)	(8,052)
Including: Interest expenses		138	444
Interest income		2,219	8,560
Add: Other income	VIII.37	420	370
Investment income (Loss represented in "-")	VIII.38	25,337	(195)
Including: Gain from investments in associates		(6,241)	(2,355)
Profit on the changes in fair value (Loss represented in "-")	VIII.39	(20,317)	(13,475)
Credit impairment losses (Loss represented in "-")	VIII.40	(112,718)	(95,885)
Impairment loss of assets (Loss represented in "-")	VIII.41	(1,936)	(46,318)
Gain on disposal of assets (Loss represented in "-")	VIII.42	50	54
Operating profit		(131,542)	(198,990)
Add: non-operating income	VIII.43	101	697
Less: non-operating expenses	VIII.44	137	162
Total profit		(131,578)	(198,455)
Less: Income tax expenses	VIII.45	4,778	16,056
Net profit		(136,356)	(214,511)
Net profit attributable to:			
Net profit from continuing operations		(136,356)	(214,511)
Net profit from discontinued operations		—	—
Shareholders of the Company		(130,176)	(196,538)
Non-controlling shareholders		(6,180)	(17,973)

Item	Notes	RMB'000	
		For the year ended 31 December 2020	For the year ended 31 December 2019
Other net comprehensive income after tax	VIII.51	(10,145)	645
Other net comprehensive income after tax attributable to shareholders of the Parent		(10,075)	475
Including: Other comprehensive income unqualified for reclassification into profit or loss		(9,971)	(179)
Including: Change in fair value of other equity instruments investments		(9,971)	(179)
Including: Other comprehensive income subsequently reclassified into profit or loss	VIII.51	(104)	654
Including: Items attributable to investees under equity method subsequently reclassified to profit or loss		—	622
Exchange differences from retranslation of financial statements		(104)	32
Other net comprehensive income after tax attributable to non-controlling shareholders		(70)	170
Total comprehensive income		(146,501)	(213,866)
Total comprehensive income attributable to shareholders of the Parent		(140,251)	(196,063)
Total comprehensive income attributable to non-controlling shareholders		(6,250)	(17,803)
Earnings per share:			
Basic earnings per share (RMB)	XVII.2	(0.66)	(0.99)
Diluted earnings per share (RMB)	XVII.2	(0.66)	(0.99)
Dividends	VIII.49	—	—

For the year ended 31 December 2020

Item	Notes	RMB'000	
		For the year ended 31 December 2020	For the year ended 31 December 2019
1. Cash flows from operating activities:			
Cash received from the sale of goods and provision of services		225,237	181,314
Tax refund received		—	813
Other cash receipt related to operating activities		6,777	77,832
Sub-total of cash inflows from operating activities		232,014	259,959
Cash paid for goods purchased and services received		183,397	170,072
Cash paid to and on behalf of employees		47,270	54,417
Payments of taxes and surcharges		7,161	9,483
Other cash payments relating to operating activities		23,106	96,641
Sub-total of cash outflows from operating activities		260,934	330,613
Net cash flow from operating activities	VIII.52	(28,920)	(70,654)
2. Cash flows from investment activities:			
Cash received from sales of investments		11,557	8,282
Cash received from returns on investments		24,992	2,160
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		65	2,613
Other cash receipt relating to investing activities		3,000	361,304
Sub-total of cash inflows from investing activities		39,614	374,359
Cash paid to acquire fixed assets, intangible assets and other long-term assets		763	3,135
Cash paid for investment		1,700	4,400
Other cash payments related to investing activities		—	281,200
Sub-total of cash outflows from investing activities		2,463	288,735
Net cash from investing activities		37,151	85,624

Item	Notes	RMB'000	
		For the year ended 31 December 2020	For the year ended 31 December 2019
3. Cash flows from financial activities:			
Cash received from investors		—	—
Including: cash received from non-controlling shareholders of subsidiaries		—	—
Cash received from borrowings obtained		—	—
Other cash receipts relating to financing activities		—	—
Sub-total of cash inflows from financial activities		—	—
Cash payments for borrowings repayment		—	6,927
Cash payments for distribution of dividends or profits or interest expenses		—	212
Including: dividends or profits paid to non-controlling shareholders of subsidiaries		—	—
Other cash payments relating to financing activities		300	6,670
Sub-total of cash outflows from financial activities		300	13,809
Net cash flows from financial activities		(300)	(13,809)
4. Effect of exchange rate changes on cash and cash equivalents		22	27
5. Net increase in cash and cash equivalents	VIII.53	7,953	1,188
Add: opening balance of cash and cash equivalents		187,707	186,519
6. Closing balance of cash and cash equivalents	VIII.54	195,660	187,707

For the year ended 31 December 2020

RMB'000

Item	For the year ended 31 December 2020							
	Attributable to shareholders of the Parent						Non-controlling interest	Total shareholders' equity
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves (note)	Undistributed profits	Sub-total		
Balance as at 31 December 2019	197,310	934,421	105,909	130,931	(599,811)	768,760	26,237	794,997
Change 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	—	—	—	—	(130,176)	(130,176)	(6,180)	(136,356)
Other comprehensive income	—	—	(10,075)	—	—	(10,075)	(70)	(10,145)
Retained earnings carried forward from other comprehensive income	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—
Sub-total of the changes during the year	—	—	(10,075)	—	(130,176)	(140,251)	(6,250)	(146,501)
Balance as at 31 December 2020	197,310	934,421	95,834	130,931	(729,987)	628,509	19,987	648,496
	For the year ended 31 December 2019							
	Attributable to shareholders of the Parent						Non-controlling interest	Total shareholders' equity
Item	Share capital	Capital reserves	Other comprehensive income	Surplus reserves (note)	Undistributed profits	Sub-total		
Balance as at 31 December 2018	197,310	934,421	105,434	130,931	(401,551)	966,545	44,047	1,010,592
Change in accounting policies	—	—	—	—	153	153	137	290
Balance as at 1 January 2019	197,310	934,421	105,434	130,931	(401,398)	966,698	44,184	1,010,882
Net profit	—	—	—	—	(196,538)	(196,538)	(17,973)	(214,511)
Other comprehensive income	—	—	475	—	—	475	170	645
Retained earnings carried forward from other comprehensive income	—	—	—	—	(1,921)	(1,921)	(148)	(2,069)
Others	—	—	—	—	46	46	4	50
Sub-total of the changes during the year	—	—	475	—	(198,413)	(197,938)	(17,947)	(215,885)
Balance as at 31 December 2019	197,310	934,421	105,909	130,931	(599,811)	768,760	26,237	794,997

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

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

For the year ended 31 December 2020

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.

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

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The subsidiaries which are included in the scope of consolidated financial statements for the year ended 31 December 2020 of the Group are as follows:

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

III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The Group’s financial statements for the year ended 31 December 2020 have been prepared on a going concern basis and based on the actual transactions and matters incurred, in accordance with Accounting Standards for Business Enterprises (“ASBE”) issued by the Ministry of Finance of the People’s Republic of China, including adoption of nine revised and new basic and specific standards issued by MOF (“New PRC Accounting Standards”) and other relevant regulations issued by MOF (“PRC Accounting Standards”) in 2014, and disclosed in accordance with the Rules Governing the Listing of Securities on Hong Kong Stock Exchange and Hong Kong Companies Ordinance; and the accounting policies and estimates as stated in Note V “Significant accounting policies and accounting estimates and basis of preparation of consolidated financial statements” of the “Notes to the Financial Statements”.

III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS (Continued)**2. On a going concern basis**

The Company is able to continue as a going concern for at least the next 12 months at the end of the Reporting Period, and there is no existence of a material uncertainty on the ability of on-going operation.

IV. STATEMENT OF COMPLIANCE OF ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The Group's consolidated financial statements have been prepared in conformity with the PRC Accounting Standards, and present truly and completely the consolidated financial position as at 31 December 2020 and their consolidated operating results, consolidated cash flows and other relevant information for the year then ended.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**1. Accounting Period**

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

2. Reporting currency

The reporting currency of the Group is RMB.

The financial statements of the Group are expressed in RMB.

3. Basis of preparation and principle of measurement

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

4. Business Combination**(1) Business combination involving entities under common control**

In a business combination involving enterprises under common control, if the acquirer pays for the business combination in cash, by transferring of non-cash assets or assuming liabilities, net assets in the ultimate controlling party's consolidated financial statements are measured at their carrying amounts of the acquiree at the acquisition date. If the acquirer issues equity instruments for the business combination, the acquirer measures the share capital by the par value of the shares issued. The difference between the original investment costs of long-term equity investment and the carrying amounts (or the total par value of shares issued) will be adjusted to the capital reserves. If the capital reserves are 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 *(Continued)***5. Preparation of consolidated financial statement****(1) Determination of the scope of consolidation**

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

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

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

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

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

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

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

6. Joint arrangement classification and accounting treatments**(1) The classification of joint arrangement**

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)***6. Joint arrangement classification and accounting treatments** *(Continued)***(2) The accounting treatment of joint operations**

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

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

(3) The accounting treatment of joint ventures

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

7. Cash and cash equivalents

The cash in the Group's statement of cash flows represents cash on hand and deposits that can be readily drawn on demand. Cash equivalents in the cash flow statement represent short-term (3 months or less) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

8. Foreign currency**(1) Foreign currency transactions**

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

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

For the year ended 31 December 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(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 currencies, their financial statements denominated in foreign currency shall be translated to financial statements in RMB when preparing consolidated financial statements. The assets and liabilities are translated to RMB amounts using the spot exchange rate at the balance sheet date. Items of the equity, except for "undistributed profits", are translated at the spot exchange rate at the dates on which such items occurred. The revenue and expenditures in the statement of income are translated using the exchange rate similar to the spot exchange rate at the transaction date. The difference arising from foreign currency financial statements translation is presented in other comprehensive income at the consolidated balance sheet within equity. Items of the statement of cash flows are determined by systemic method and translated using the exchange rate similar to the spot exchange rate when they incurred. Effect arising from changes of exchange rates on cash and cash equivalents is presented separately in the statement of cash flows. When disposing of foreign operations, exchange differences of foreign currency financial statements attributable to the foreign operations are transferred to profit or loss for the current period entirely or in proportion with the disposal portion of the foreign operations.

9. Financial instruments

(1) *Classification and reclassification of financial instruments*

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

1) Financial assets

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)***9. Financial instruments** *(Continued)***(1) Classification and reclassification of financial instruments** *(Continued)*1) Financial assets *(Continued)*

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

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.
- 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.

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

For the year ended 31 December 2020

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

9. Financial instruments *(Continued)*

(2) Measurement of financial instruments *(Continued)*

1) Financial Assets *(Continued)*

- 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. 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 *(Continued)***9. Financial instruments** *(Continued)***(4) Recognition and measurement of transfer of financial assets and financial liabilities**

1) Financial assets

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

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

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

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

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

2) Financial liabilities

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

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

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

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

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

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

For financial instruments with lower credit risk as at the balance sheet date, the Company may not make a comparison with the credit risk at the time of initial recognition, but directly make the assumption that the credit risk of the instrument has not increased significantly since initial recognition.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There is a special relationship between the related parties and the Company (such as intergroup related parties, jointly controlled entities and associates) where the difference between the present value of future cash flows and their carrying amount is expected to be minimal, the accounts receivable are generally not made for provision of bad debt. However, if there is concrete evidence indicating that a related party who is a debtor of the company the registration of which is revoked, bankrupt, insolvent, or in serious shortage of cash flows and has no intention to undergo debt restructuring in respect of such receivables or the receivables cannot be otherwise collected, provision for bad debts should be made for the part that is expected to be possibly collected. If the entire amount due from a related party is not expected to be recovered, bad debt provision for the entire amount may be made.

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

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

(6) Accounting treatment methods of expected credit losses

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

11. Inventories

Inventories mainly include goods in stock.

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**12. Contractual assets and contractual liabilities****(1) Contractual assets**

A contract asset is the Company's right to receive consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditioned on something other than the passage of time and impairment of a contract asset is measured using expected credit loss model. The provision for impairment of contractual assets shall refer to the expected credit loss of financial instruments. For contractual assets that do not contain significant financing components, the Company adopts a simplified method to measure provision for loss. For contractual assets that contain significant financing components, the Company uses general methods to measure provision for loss.

If there is an impairment loss on contractual assets, the Company will debit "asset impairment loss" and credit "provision for impairment of contract assets" based on amounts to be written down; if there is a reversal on provision for asset impairment which has been provided, the Company makes the opposite accounting record.

(2) Contractual liabilities

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

Contractual assets and contractual liabilities under the same contract are presented on a net amount basis by the Company.

13. Long-term equity investment**(1) Determination of initial investment cost**

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

(2) Subsequent measurement and recognition of profit or loss

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)***13. Long-term equity investment** *(Continued)***(3) Basis for recognition of joint control or significant influence over an investee**

Joint control of an investee is that the decision of activities that can significantly affect the arrangement's return must require the unanimous consent of the parties sharing control, including sale and purchase of goods or services, financial assets management, purchase and disposal of assets, research and development activity and financing activities etc. The Company holding of above 20% to 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 is less than 20% if it can meet one of the following situations: a) appointing representatives in the Board or similar governing body of the investee; b) participating in the strategy and policy decision process; c) delegating management personnel; d) the investee relying on the Company's technique or technical material; e) significant transactions occur between the Company and the investee.

14. Investment properties

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

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

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

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

Where an investment property is changed for owner-occupied purpose, it is transferred to a fixed asset or intangible asset at the date of the change. Where the owner-occupied property is changed for earning rentals or for capital appreciation, the fixed asset or intangible asset is transferred to an investment property at the date of the change. On conversion, the carrying amount immediate before conversion is taken as the cost of the asset.

An investment property is derecognized on disposal or retirement when it is expected that there shall be no economic benefit through disposal. Where the investment properties are sold, transferred, retired or damaged, the proceeds from disposal after deducting the carrying amount and related taxes are recognized in profit or loss for the current period.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**15. Fixed assets**

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

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

Subsequent expenditures incurred for a fixed asset, such as maintenance expenses, renovation and improvement expenses, are included in the cost of fixed asset when they meet the recognition criteria of a fixed asset, and the carrying amount of the replaced parts is derecognized. The subsequent expenditures incurred for a fixed asset are recognized in profit or loss for the current period in which they are incurred when they do not meet the criteria of a fixed asset.

Depreciation is provided for all fixed assets, except for the assets that are fully depreciated and remain in use. Fixed assets are depreciated using the straight-line method to measure the costs 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 furniture	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.

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

For the year ended 31 December 2020

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

16. Borrowing costs

(1) Recognition of capitalizing borrowing costs

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

(2) Calculation of capitalization cost

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

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

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

17. Intangible assets

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

Land use rights are evenly amortised over their lease term 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 contracts and by laws.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)***17. Intangible assets** *(Continued)*

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

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

18. Impairment of long-term assets

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

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

Impairment tests are conducted for goodwill presented in the financial statements separately at least at the end of every accounting year regardless of 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, and then be deducted from the carrying amounts of other assets' based on the proportions of their carrying amounts in the asset group or asset groups portfolio.

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

19. Goodwill

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

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

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For the year ended 31 December 2020

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

20. Long-term deferred expenses

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

21. Employee benefits

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

(1) Short-time employee benefits

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

(2) Post-employment benefits

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

(3) Termination benefits

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

(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 the 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 the defined benefits plan.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**22. Revenue**

The Group has fulfilled its performance obligations of the contract that the revenue is recognised based on the transaction price of such performance obligation when the customers take control of the relevant goods or services. Obtaining the right to control the relevant goods means that it is able to dominate the use of the goods and derive almost all economic benefits therefrom. The performance obligations of the contract refer to the undertaking in the contract that the Company can clearly distinguish between the goods transferred by the Company to the customer. Transaction price means 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 Company 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 laws and 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 asset control rights are obtained by customers.

The business revenues of the Group are mainly generated from sale of advertising spaces and incomes from printing, trading of print-related materials and distribution of newspapers and magazines and consultation service and technical service and rental income. The principles of revenue recognition are as follows:

(1) Revenue from sale of advertising spaces

Revenue from advertising spaces is generally recognized pro rata over the period in which the advertisement is published (net of VAT). Sales of advertising spaces, with award credits generating from customers, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the advertising spaces sold and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value, which is the fair value of the award credits exchangeable of advertising space. Such consideration is not recognized as revenue at the time of the commencement of the sale transaction, but is deferred and recognized as revenue when such award credits are redeemed and the Group's obligations have been fulfilled.

(2) Revenue from printing

Revenue from printing, net of VAT, is recognized when the service is provided.

(3) Revenue from trading of print-related materials and distribution of newspapers and magazines

Revenue from trading of print-related materials and distribution of newspapers and magazines, net of VAT, is recognized upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

(4) Revenue from consultation service

Consultation service income is recognized when the services are provided.

(5) Revenue from technical service

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

(6) Revenue from rental income

Rental income is recognized in accordance with the Group's accounting policy for lease (see Note V.26).

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)***23. Contract cost**

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

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

- (1) The cost is directly related to a current contract or a contract expected to be obtained, including direct labor, direct materials, manufacturing fees (or similar fees), the cost set to be assumed by users and other cost arising merely from the contract;
- (2) The cost increased the resources of the Company to be used for performing the performance obligations in the future;
- (3) The cost is expected to be recovered.

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

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

24. Government grants**(1) Category and accounting treatment of government grants**

Government grants are the monetary assets and non-monetary assets received from the government without consideration (excluding the capital invested by the government as the owner). As monetary assets, government grants are measured based on the actual received or receivable amounts. As non-monetary assets, government grants are measured based on their fair value; if the fair value cannot be estimated reliably, it will be measured based on nominal amount.

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)***24. 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 projects that form 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 that 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 that 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.

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

For the year ended 31 December 2020

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

25. Deferred income tax assets and deferred income tax liabilities

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 regulations, the tax base is the temporary difference) and its tax base are recognized as deferred tax calculating by the effective tax rate in the expected period to receive the asset or discharge the liability.

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

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

26. Lease

(1) *The accounting treatment for lessee*

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

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

1) Right-of-use assets

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**26. Lease** (Continued)**(1) The accounting treatment for lessee** (Continued)

2) Leased 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: ①fixed payments (including in-substance fixed payments), less any relevant lease incentives if any; ②variable lease payments subject to an index or a rate; ③estimated payables based on the residual value of the guarantee provided by the lessee; ④the exercise price under the purchase option if the lessee is reasonably certain to exercise; ⑤payments 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.

(2) Accounting treatment of leased assets

1) Accounting treatment of operating leases

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

2) Accounting treatment of finance leases

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)***27. Held-for-sale and discontinued operations**

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

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

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

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

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

28. Accounting for income tax

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)***29. Segment information**

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

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

30. Key accounting estimates and judgments

In the application of the Group's accounting policies, the Directors of the Company are required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized for the period in which the estimate is revised if the revision affects only that period or for the current and future periods if the revision affects both periods.

The followings are the key assumptions on the future, and other key sources of estimation uncertainty at the end of the reporting period, that are probable to cause a material adjustment to the carrying amounts of assets and liabilities of the next financial year.

(1) Building ownership

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

(2) Depreciation of fixed assets

Fixed assets are depreciated on a straight-line basis over their estimated useful lives and estimated residual values. The determination of the useful lives and residual values involve the estimates of the management. The Group assesses annually the residual value and useful life of the fixed asset and if the expectation differs from the original estimate, such a difference may affect the depreciation charge in the interim of the year and in the future period.

(3) Fair value of investment properties

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

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

For the year ended 31 December 2020

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

30. Key accounting estimates and judgments *(Continued)*

(4) Allowance for bad debts of account receivables and other receivables

The Company calculates expected credit loss of accounts receivable by assessing the default risk exposure of accounts receivable and expected credit loss rate, which is determined based on probability of default and default loss rate. When determining the expected credit loss rate, the Company refers to the experience of historical credit loss, and makes adjustments considering the current situation and forward-looking information, which is measured with indicators including the risk of economic downturn, external market environment, industrial risks and customers.

(5) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(6) Fair value of customer loyalty program

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

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

The Group tests annually whether the interests in jointly controlled entities and associates have suffered any impairment in accordance with the Group's accounting policy. The entire carrying amount of the investment (including goodwill) is tested as a single asset by comparing the difference of its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount. The values in use calculation requires the use of estimates and judgments including estimation of the future cash flows, determination of applicable discount rate, estimation of exchange rate and future industry trends and market condition and makes other assumptions. Changes in these estimates and assumptions could affect the determination of recoverable amount.

(8) Impairment loss for inventories

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

VI. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**1. Changes in accounting policies and their effect**

There are no changes in the Group's accounting policies for current period.

2. Changes in accounting estimates and their effect

There are no changes in the Group's accounting estimates for current period.

VII. TAXATION**1. Main types of taxes and corresponding tax rates**

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

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)

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

1. Bank balances and cash

Item	As at 31 December 2020	As at 31 December 2019
Bank balances and cash	195,660	187,707
Restricted bank deposits	44,561	29,557
Total	240,221	217,264

The Group's bank balances are deposited at banks in the PRC and carry interest at market interest rates of 0.3% to 1.95% (2019: 0.3% to 2.03%) per annum.

Restricted bank deposits represent marginal deposit for bank acceptance notes and blocked funds and carry market interest rates of 0.3% to 1.1% (2019: 0.30% to 1.95%) per annum.

2. Notes receivable

Item	As at 31 December 2020	As at 31 December 2019
Bank acceptance notes	100	—
Less: Provision for bad debts	—	—
Total	100	—

3. Accounts receivable

Item	As at 31 December 2020	As at 31 December 2019
Accounts receivable	428,836	425,129
Less: Provision for bad debts	362,074	252,531
Net accounts receivable	66,762	172,598
For reporting purpose, analysis as:		
Non-current assets— long-term receivables	—	—
Current assets —accounts receivable	66,762	172,598
Total	66,762	172,598

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

3. Accounts receivable (Continued)

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

Item	As at 31 December 2020	As at 31 December 2019
0-90 days	13,573	18,529
91-180 days	5,587	7,558
181-365 days	8,732	6,682
1-2 years	10,154	23,576
Over 2 years	28,716	116,253
Total	66,762	172,598

- (2) Analysis of accounts receivable by categories:

Item	As at 31 December 2020				As at 31 December 2019			
	Balance of carrying amount		Provision for bad debts		Balance of carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with bad debt provision made on individual basis	39,533	9.22	39,533	100.00	35,102	8.26	35,102	100.00
Accounts receivable with bad debt provision made on group basis:	389,303	90.78	322,541	82.85	390,027	91.74	217,429	55.75
Aging group	211,946	49.43	170,484	80.44	220,559	51.88	155,678	70.58
Related party group	177,357	41.35	152,057	85.73	169,468	39.86	61,751	36.44
Total	428,836	100.00	362,074		425,129	100.00	252,531	

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

For the year ended 31 December 2020

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

3. Accounts receivable (Continued)

- (2) Analysis of account receivables by categories: (Continued)

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

Item	As at 31 December 2020			As at 31 December 2019		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
Within 1 year	23,610	16.02	3,782	30,079	15.58	4,686
1-2 years	6,278	45.70	2,869	15,901	39.94	6,351
2-3 years	12,641	63.59	8,038	40,650	57.78	23,487
3-4 years	38,705	77.04	29,818	35,678	75.47	26,927
Over 4 years	130,712	96.38	125,977	98,251	95.90	94,227
Total	211,946		170,484	220,559		155,678

- (3) The top five accounts receivable as at 31 December 2020 represented 43.93% of the total accounts receivable.
- (4) The aging analysis of the accounts receivable which are past due but not impaired as at the balance sheet date are as follows:

Item	As at 31 December 2020	As at 31 December 2019
Within 6 months	3,953	3,434
6 months to 1 year	3,378	2,223
1-2 years	5,638	13,206
2-3 years	—	9,681
3-4 years	—	13,553
Over 4 years	—	60,646
Total	12,969	102,743

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

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

4. Prepayments

Item	As at 31 December 2020	As at 31 December 2019
Prepayments	1,171	9,375
Less: Provision for bad debts	—	—
Net prepayments	1,171	9,375

The top five prepayments as at 31 December 2020 represented 100.00% of the total prepayments.

Aging	As at 31 December 2020	As at 31 December 2019
Within 1 year	849	9,353
1–2 years	300	—
2–3 years	—	—
Over 3 years	22	22
Total	1,171	9,375

5. Other receivables

Item	As at 31 December 2020	As at 31 December 2019
Interest receivable	—	—
Dividends receivable	—	—
Other receivables	203,598	203,042
Less: Provision for bad debts	200,131	196,956
Net other receivables	3,467	6,086

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

For the year ended 31 December 2020

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

5. Other receivables (Continued)

(1) Other receivables

1) Other receivables by nature

Nature	As at 31 December 2020	As at 31 December 2019
Related party current account	5,195	5,217
External unit current	122,599	123,996
Consideration of equity transfer	72,320	72,320
Deposit and margin	500	406
Reserve funds	2,980	1,103
Others	4	—
Total	203,598	203,042

2) Other receivables analysis by aging

Aging	As at 31 December 2020		As at 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	2,023	0.99	2,295	1.14
1-2 years	1,189	0.58	6,668	3.28
2-3 years	6,414	3.15	10,072	4.96
3-4 years	10,022	4.92	121,377	59.78
Over 4 years	183,950	90.36	62,630	30.84
Total	203,598	100.00	203,042	100.00

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

5. Other receivables (Continued)

(1) Other receivables (Continued)

3) Provision for bad debts

Provision for bad debts	First stage Expected credit losses for the next 12 months	Second stage Expected credit losses for the entire duration (no credit impairment has been occurred)	Third stage Expected credit losses for the entire duration (credit impairment has been occurred)	Total
Balance at 1 January 2020	8,925	—	188,031	196,956
Balance at 1 January 2020 in current period after reassessment	8,925	—	188,031	196,956
Transfer from the first stage to the third stage	(3,773)		3,773	
Provision for this period	2,178	—	997	3,175
Closing balance	7,330	—	192,801	200,131

- 4) The top five other receivables as at 31 December 2020 represented 95.47% of the total other receivables.

6. Inventories

Item	As at 31 December 2020			As at 31 December 2019		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Goods in stock	19,419	5,959	13,460	17,295	5,114	12,181
Total	19,419	5,959	13,460	17,295	5,114	12,181

As at 31 December 2020, there are goods in stock sold in prior years which had been written down to net realizable value (2019: nil).

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

7. Other current assets

Item	As at 31 December 2020	As at 31 December 2019
Investment of film projects (Note)	1,990	5,971
VAT to be deducted	29,336	28,828
Prepaid income tax	390	413
Total	31,716	35,212

Note: Investment of film projects include:

The Company had entered into an investment agreement in accordance with the proportion of investment with Beijing Forest Movies Culture Media Co., Ltd., pursuant to which the Company will invest RMB4,990 thousand (representing 10% of total investment cost of the TV series) for the production of internet TV series "Set Sail" (《启航》). The Company will be entitled to the benefits in accordance with the proportion of investment based on the "Earnings Settlement Report" and will not participate in the production process. As at 31 December 2020, the Company's balance of the investment in the TV series amounted to RMB1,990 thousand.

8. Long-term equity investment

(1) Types for long-term equity investment

Type	As at 31 December 2020	As at 31 December 2019
Investments in associates — under equity method	15,114	21,355
Less: provision for impairment for investments in associates	11,617	11,617
Total	3,497	9,738

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

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

8. Long-term equity investment (Continued)

(2) Investments in associates

Investee	Balance as at 1 January 2020	Additional investment	Decrease in investment	Changes in the current year					Balance as at 31 December 2020	Balance of impairment provision as at 31 December 2020
				Investment gain or loss recognized under equity method	Other comprehensive income adjustment	Changes in other equity	Declaration of cash dividend or profit	Provision for impairment		
1. Associates										
Beijing Leisure Trend Advertising Company Limited	—	—	—	—	—	—	—	—	—	—
Beijing Shengyi Automobile Technology Co., Ltd. (former name: Beijing Beiqing Shengda Automobile Service Company Limited)	—	—	—	—	—	—	—	—	—	—
Beijing Beisheng United Insurance Agency	1,842	—	—	269	—	—	—	—	2,111	—
BY Times Consulting Co., Ltd	—	—	—	—	—	—	—	—	—	—
Beiqing Transmedia Co., Ltd	—	—	—	—	—	—	—	—	—	—
Beijing Beiqing Top Advertising Limited	—	—	—	—	—	—	—	—	—	—
Hebei Jujingcai E-commerce Company Limited	—	—	—	—	—	—	—	—	—	—
Beijing Lingshi Technology Ltd.	—	—	—	—	—	—	—	—	—	—
Beijing International Advertising Media Group Co., Limited	6,480	—	—	(6,480)	—	—	—	—	—	10,669
Chongqing Soyang Internet Technology	—	—	—	—	—	—	—	—	—	948
Beijing Shangyou Network Technology	1,416	—	—	(30)	—	—	—	—	1,386	—
Total	9,738	—	—	(6,241)	—	—	—	—	3,497	11,617

9. Investment in other equity instruments

(1) Investment in other equity instruments

Item	Investment cost	As at 31 December 2020	As at 31 December 2019
Beijing Keyin Media and Culture Co., Ltd.	6,560	46,524	45,061
Beiyang Publishing & Media Co., Ltd.	103,000	156,657	168,017
Beijing Youth Daily Newspaper Internet Communication Technology Co., Ltd.	500	2,746	2,845
Total	110,060	205,927	215,923

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

For the year ended 31 December 2020

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

9. Investment in other equity instruments (Continued)

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

Type	As at 31 December 2020	As at 31 December 2019
Unlisted equity investments, China	205,927	215,923
Total	205,927	215,923

10. Other non-current financial assets

(1) Other non-current financial assets

Item	As at 31 December 2020	As at 31 December 2019
Beijing Runxin Dingtai Investment Center (limited partnership)	40,332	51,639
Suzhou Huaying Culture Industry Investment Enterprise	2,685	2,717
Total	43,017	54,356

(2) Other non-current financial assets are analyzed as follows:

Type	As at 31 December 2020	As at 31 December 2019
Unlisted equity investments, China	43,017	54,356
Total	43,017	54,356

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

11. Investment properties

(1) Investment properties measured at fair value

Item	Fair value as at	Increase during the year		Decrease during the year		Fair value as at
	1 January 2020	Purchase	Changes in fair value	Disposal	Changes in fair value	31 December 2020
Cost	56,100	21	—	—	—	56,121
Buildings	56,100	21	—	—	—	56,121
Changes in fair value	75,732	—	—	—	20,882	54,850
Buildings	75,732	—	—	—	20,882	54,850
Book value	131,832	21	—	—	20,882	110,971
Buildings	131,832	21	—	—	20,882	110,971

The fair value of the Group's investment properties as at 31 December 2020 have been arrived at by reference to recent market prices for similar properties in the same locations and conditions.

As at 31 December 2020, the carrying values of the investment properties for which the Group had not been granted formal title amounted to approximately RMB6,611 thousand (2019: RMB9,587 thousand). In the opinion of the Directors of the Company, the absence of formal title to these properties does not impair the value of the relevant properties to the Group. The Directors of the Company also believe that formal title to these properties will be granted to the Group in due course.

During the year, the rental income generated from investment properties is RMB2,020 thousand (2019: RMB3,701 thousand).

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

Item	Fair value as at 31 December 2020	Fair value as at 31 December 2019
Located inside of the PRC		
Medium term (10–70 years)	103,913	124,400
Located outside of the PRC		
Long term (over 70 years)	7,058	7,432
Total	110,971	131,832

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

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

11. Investment properties (Continued)

(3) Investment properties are detailed as follows: :

No.	Address	Usage
1	502-D-0201, Yuelianghe Chengbaogongyu, Xinhudajie, Tongzhou District, Beijing	Residential
2	502-C-0601, Yuelianghe Chengbaogongyu, Xinhudajie, Tongzhou District, Beijing	Residential
3	502-C-0301, Yuelianghe Chengbaogongyu, Xinhudajie, Tongzhou District, Beijing	Residential
4	No.9, Section A, No.1 Floor, Jinyufenglinzhou, Office No.265 Office, Yaojiayuanxikou, Chaoyang District, Beijing	Office
5	No.3, Section A, No.1 Floor, Jinyufenglinzhou, Office No.265 Office, Yaojiayuanxikou, Chaoyang District, Beijing	Office
6	No.12, Section A, No.1 Floor, Jinyufenglinzhou, Office No.265 Office, Yaojiayuanxikou, Chaoyang District, Beijing	Office
7	C1501, No.5 Huizhong Road, Chaoyang District, Beijing. Office	Office
8	C1502, No.5 Huizhong Road, Chaoyang District, Beijing. Office	Office
9	C1503, No.5 Huizhong Road, Chaoyang District, Beijing. Office	Office
10	C1505, No.5 Huizhong Road, Chaoyang District, Beijing. Office	Office
11	C1506, No.5 Huizhong Road, Chaoyang District, Beijing. Office	Office
12	201 No.1 Zhuoda Scotland City84.Jinhai Road, Nanhaixinqu, Weihai	Residential
13	301 No.1 Zhuoda Scotland City84.Jinhai Road, Nanhaixinqu, Weihai	Residential
14	402 No.1 Zhuoda Scotland City84.Jinhai Road, Nanhaixinqu, Weihai	Residential
15	501 No.1 Zhuoda Scotland City84.Jinhai Road, Nanhaixinqu, Weihai	Residential
16	103 No.1 Zhuoda Scotland City84.Jinhai Road, Nanhaixinqu, Weihai	Residential
17	14612 Nevada CTF ontana,CA 92336 USA	Residential
18	ChampionsGate 50,Block H162,ChampionsGate FL 33896 USA	Residential
19	79-2403 Evergrande Splendor, Wuqing, Tianjin	Residential
20	79-2503 Evergrande Splendor, Wuqing, Tianjin	Residential
21	79-2703 Evergrande Splendor, Wuqing, Tianjin	Residential

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

11. Investment properties (Continued)

(3) Investment properties are detailed as follows: (Continued)

序號	地址	用途
22	79-2803 Evergrande Splendor, Wuqing, Tianjin	Residential
23	79-2903 Evergrande Splendor, Wuqing, Tianjin	Residential
24	79-3003 Evergrande Splendor, Wuqing, Tianjin	Residential
25	26-4-801 Evergrande Splendor, Wuqing, Tianjin	Residential
26	26-4-901 Evergrande Splendor, Wuqing, Tianjin	Residential
27	26-4-1001 Evergrande Splendor, Wuqing, Tianjin	Residential
28	26-4-1004 Evergrande Splendor, Wuqing, Tianjin	Residential
29	26-4-1204 Evergrande Splendor, Wuqing, Tianjin	Residential
30	26-4-1604 Evergrande Splendor, Wuqing, Tianjin	Residential
31	26-4-1701 Evergrande Splendor, Wuqing, Tianjin	Residential
32	26-4-2001 Evergrande Splendor, Wuqing, Tianjin	Residential
33	26-4-2201 Evergrande Splendor, Wuqing, Tianjin	Residential
34	26-4-2601 Evergrande Splendor, Wuqing, Tianjin	Residential
35	26-4-1201 Evergrande Splendor, Wuqing, Tianjin	Residential
36	26-4-1801 Evergrande Splendor, Wuqing, Tianjin	Residential
37	Room 2302, Block D, Jinwanwei, Boao, Hainan	Residential
38	Flat 3903, Block 1, ShanghaiTongwan	Residential
39	Flat 126, No.1, Block 2, ShanghaiTongwan	Residential
40	Flat 603, No.1, Block 17, ShanghaiTongwan	Residential
41	Flat 3723, Block 26, ShanghaiTongwan	Residential
42	Flat M10, Block 26, ShanghaiTongwan	Residential
43	Flat 3909, Block 22, ShanghaiTongwan	Residential
44	Flat 3805, Block 22, ShanghaiTongwan	Residential
45	Qingdao Xihu Huafu 16-1-105	Residential
46	Guanlan Hu Saish Apartment 9-05-212	Residential
47	Guanlan Hu Saish Apartment 9-05-215	Residential
48	Guanlan Hu Saish Apartment 9-05-219	Residential
49	Daihehai Park 35-3-1502 + Lower apartment 35-2-3	Residential

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For the year ended 31 December 2020

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

12. Fixed assets

(1) Breakdown of fixed assets

Item	As at 1 January 2020	Increase during the year	Decrease during the year	As at 31 December 2020
Cost	30,782	276	513	30,545
Buildings	15,775	—	—	15,775
Plant and machinery	3,671	—	—	3,671
Motor vehicles	2,826	75	425	2,476
Office equipment	672	—	—	672
Electronic equipment	7,838	201	88	7,951
Accumulated depreciation	28,704	1,569	504	29,769
Buildings	14,761	757	—	15,518
Plant and machinery	3,299	364	—	3,663
Motor vehicles	2,633	181	416	2,398
Office equipment	655	12	—	667
Electronic equipment	7,356	255	88	7,523
Net carrying amount	2,078	—	—	776
Buildings	1,014	—	—	257
Plant and machinery	372	—	—	8
Motor vehicles	193	—	—	78
Office equipment	17	—	—	5
Electronic equipment	482	—	—	428
Provision for impairment	—	—	—	—
Buildings	—	—	—	—
Plant and machinery	—	—	—	—
Motor vehicles	—	—	—	—
Office equipment	—	—	—	—
Electronic equipment	—	—	—	—
Carrying amount	2,078	—	—	776
Buildings	1,014	—	—	257
Plant and machinery	372	—	—	8
Motor vehicles	193	—	—	78
Office equipment	17	—	—	5
Electronic equipment	482	—	—	428

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

For the year ended 31 December 2020, the depreciation of fixed assets recognized in the consolidated income statement amounted to RMB1,569 thousand (2019: RMB1,856 thousand).

For the year ended 31 December 2020, the net profit on disposal of fixed assets recognized in the consolidated income statement amounted to RMB50 thousand (2019: net profit of RMB54 thousand).

For the year ended 31 December 2020, the rental income generated from fixed assets recognized in the consolidated income statement amounted to RMB6,250 thousand (2019: RMB6,250 thousand).

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

Item	As at 31 December 2020	As at 31 December 2019
Located inside of PRC Medium term (10–50 years)	257	1,014
Total	257	1,014

(3) Fixed assets through operating lease

As at 31 December 2020, a fixed asset with carrying amount of RMB257 thousand (cost of RMB15,775 thousand) was leased out through operating lease (2019: carrying amount of RMB1,014 thousand, cost of RMB15,775 thousand).

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

For the year ended 31 December 2020

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

13. Right-of-use assets

(1) Breakdown of right-of-use assets

Item	As at 1 January 2020	Increase during the year	Decrease during the year	As at 31 December 2020
Cost	7,930	—	—	7,930
Buildings	7,930	—	—	7,930
Accumulated depreciation	3,764	2,184	—	5,948
Buildings	3,764	2,184	—	5,948
Provision for impairment	—	—	—	—
Buildings	—	—	—	—
Carrying amount	4,166	—	—	1,982
Buildings	4,166	—	—	1,982

During the year ended 31 December 2020, the right-of-use assets recognised in the consolidated income statement amounted to RMB2,184 thousand.

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

Item	As at 31 December 2020	As at 31 December 2019
Within China	1,982	4,166
Total	1,982	4,166

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

14. Intangible assets

(1) Breakdown of intangible assets

Item	As at 1 January 2020	Increase during the year	Decrease during the year	As at 31 December 2020
Total cost	53,056	—	—	53,056
Land use rights	40,226	—	—	40,226
Software	2,030	—	—	2,030
Operation rights	10,800	—	—	10,800
Accumulated amortization	23,615	952	—	24,567
Land use rights	19,428	888	—	20,316
Software	1,847	64	—	1,911
Operation rights	2,340	—	—	2,340
Provision for impairment	8,460	—	—	8,460
Land use rights	—	—	—	—
Software	—	—	—	—
Operation rights	8,460	—	—	8,460
Carrying amount	20,981	—	—	20,029
Land use rights	20,798	—	—	19,910
Software	183	—	—	119
Operation rights	—	—	—	—

For the year ended 31 December 2020, the amortization of intangible assets recognized in the consolidated income statement for the year was RMB952 thousand (2019: RMB1,366 thousand).

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

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For the year ended 31 December 2020

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

15 Goodwill

Item	As at 31 December 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	—	—

16. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax liabilities not written off

Item	As at 31 December 2020		As at 31 December 2019	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Change in fair value of other equity instruments investment included into other comprehensive income	2,246	561	2,345	586
Change in fair value of other non-current financial assets	7,431	1,859	8,880	2,220
Change in fair value of investment properties	17,158	4,289	20,739	5,185
Total	26,835	6,709	31,964	7,991

- (2) As at 31 December 2020, the Group has unused tax losses of RMB178,804 thousand (2019: RMB204,412 thousand) available for offset against future taxable profits. No deferred income tax assets have been recognized for these tax losses due to the uncertainty of future taxable profits streams. These tax losses will be expired at various dates up to 2025.

For the year ended 31 December 2020

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

17. Other non-current assets

Item	As at 31 December 2020	As at 31 December 2019
Film project prepaid expenses (Note)	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" 《(東方球王)》. The project settlement period exceeds one year. The Company entered into agreements with Daqianmen (Beijing) Media Co. Ltd., pursuant to which the Company participated in the production of TV series "Oriental King of Soccer". As at 31 December 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.

18. Breakdown of provision for asset impairment

Item	As at 1 January 2020	Increase during the year		Decrease during the year		As at 31 December 2020
		Provision	Other transfer-in	Reversal	Other transfer-out	
Provision for bad debts	449,487	112,718	—	—	—	562,205
Provision for inventory impairment	5,114	1,936	—	—	1,091	5,959
Provision for impairment of investments in associates	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	114,654	—	—	1,091	659,618

19. Notes payable

Item	As at 31 December 2020	As at 31 December 2019
Bank acceptance notes	10,807	5,669
Total	10,807	5,669

Note: As at 31 December 2020, the above notes payable were aged within 6 months.

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

For the year ended 31 December 2020

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

20. Accounts payable

The following is an aging analysis of accounts payable as at 31 December 2020 presented based on the invoice date:

Item	As at 31 December 2020	As at 31 December 2019
0-90 days	10,876	5,310
91-180 days	100	731
181-365 days	60	277
Over one year	2,299	3,988
Total	13,335	10,306

The average credit period for purchase of goods is 30 to 90 days. The Group has a financial risk management policy to ensure that all payables are paid within the credit period.

21. Contractual liabilities

Item	As at 31 December 2020	As at 31 December 2019
Contract advance	23,560	27,405
Total	23,560	27,405

Contract advance by nature:

Item	As at 31 December 2020	As at 31 December 2019
Advertising amount	21,111	26,793
Trading amount of printing materials	2,229	50
Publication amount	—	163
Other advances	220	399
Total	23,560	27,405

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

22. Employee benefit payables

(1) Classification for employee benefit payables

Item	As at 31 December 2020	As at 31 December 2019
Short-term remuneration	5,887	7,326
Post-employment benefit — defined contribution plan	—	363
Total	5,887	7,689

(2) Short-term remuneration

Item	As at 1 January 2020	Increase during the year	Decrease during the year	As at 31 December 2020
Salaries, bonuses, allowances and subsidies	2,579	36,350	37,627	1,302
Staff benefits	6	1,377	1,377	6
Social insurance	259	2,810	2,818	251
Including: Medical insurance	234	2,627	2,621	240
Labour injury insurance	7	12	19	—
Maternity insurance	18	171	178	11
Housing fund	—	3,650	3,649	1
Union fund and staff education fund	4,482	523	678	4,327
Total	7,326	44,710	46,149	5,887

(3) Defined contribution plan

Item	As at 1 January 2020	Increase during the year	Decrease during the year	As at 31 December 2020
Basic pension insurance	346	722	1,068	—
Unemployment insurance	17	37	54	—
Total	363	759	1,122	—

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

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

For the year ended 31 December 2020

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

23. Tax payables

Item	As at 31 December 2020	As at 31 December 2019
Value added tax	—	106
Corporate income tax	4,304	—
Personal income tax	127	143
Urban maintenance and construction tax	12	16
Education surcharge	5	12
Cultural construction fee	4	105
Total	4,452	382

24. Other payables

(1) Classification of other payables

Item	As at 31 December 2020	As at 31 December 2019
Other payables	30,344	40,445
Total	30,344	40,445

(2) Other payables by nature

Item	As at 31 December 2020	As at 31 December 2019
Current account	22,812	32,913
Margin and deposit	5,614	5,817
Receipt and payment	258	264
Others	1,660	1,451
Total	30,344	40,445

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

25. Non-current liabilities due within one year

Item	As at 31 December 2020	As at 31 December 2019
Lease liabilities due within one year	218	239
Total	218	239

26. Other current liabilities

Item	As at 31 December 2020	As at 31 December 2019
Output VAT to be transferred	1,556	—
Total	1,556	—

27. Lease liabilities

Item	As at 31 December 2020	As at 31 December 2019
Lease payments	324	683
Less: unrecognized finance costs	23	122
Less: lease liabilities due within one year	218	239
Total	83	322

28. Share capital

Item	As at 31 December 2020	As at 31 December 2019
Ordinary shares of RMB1.00 each Registered, issued and fully paid:		
— Domestic shares	142,409	142,409
— H shares	54,901	54,901
Total	197,310	197,310

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

For the year ended 31 December 2020

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

29. Capital reserves

Item	As at 1 January 2020	Increase during the year	Decrease during the year	As at 31 December 2020
Share capital premiums	934,421	—	—	934,421
Total	934,421	—	—	934,421

30. Other comprehensive income

Item	Amount for the year		Less: retained earnings in current period subsequently reclassified into other comprehensive income at the beginning of the period	Less: income tax expenses	Amount after tax attributable to shareholders of the Parent		As at 31 December 2020
	As at 1 January 2020	Amount before income tax for the year			Amount after tax attributable to non-controlling shareholders	Amount after tax attributable to non-controlling shareholders	
1. Other comprehensive income subsequently unable to be reclassified into profit or loss	105,277	(9,996)	—	(25)	(9,971)	—	95,306
Including: Changes in fair value of other investments of equity instruments	105,277	(9,996)	—	(25)	(9,971)	—	95,306
2. Other comprehensive income subsequently able to be reclassified into profit or loss	632	(174)	—	—	(104)	(70)	528
Including: Items attributable to investees under equity method subsequently reclassified to profit or loss	550	—	—	—	—	—	550
Including: Exchange differences from retranslation of financial statements	82	(174)	—	—	(104)	(70)	(22)
Total other comprehensive income	105,909	(10,170)	—	(25)	(10,075)	(70)	95,834

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

31. Surplus reserves

Item	As at 1 January 2020	Increase during the year	Decrease during the year	As at 31 December 2020
Statutory surplus reserves	130,931	—	—	130,931
Total	130,931	—	—	130,931

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

32. Undistributed profits

Item	For the year ended 31 December 2020	
	Amount	Extract or allocation proportion (%)
Balance as at 31 December 2019	(599,811)	—
Add: adjusted amount of undistributed profits at the beginning of the year	—	—
Balance as at 1 January 2020	(599,811)	—
Add: net profit attributable to shareholders of the Parent for the current year	(130,176)	—
disposal of the investment in other equity instruments	—	—
Less: provision of statutory surplus reserves	—	10
provision of discretionary surplus reserves	—	—
provision of general risk reserves	—	—
ordinary share dividends payable	—	—
capitalized ordinary share dividends	—	—
other retained earnings items from direct adjustment	—	—
Balance as at 31 December 2020	(729,987)	—

As at 31 December 2020, the Group's undistributed profits attributable to Parent included a surplus reserve of RMB1,738 thousand (2019: RMB86 thousand) from the subsidiaries of the Company.

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

For the year ended 31 December 2020

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

33. Non-controlling interest

Non-controlling interest attributable to minority shareholders of each subsidiary are as follows:

Name of subsidiary	Proportion of non-controlling interest (%)	As at 31 December 2020	As at 31 December 2019
BYD Logistics Company Limited	7.16	(299)	3,734
Beiqing CéCi Advertising (Beijing) Limited	15.31	(257)	763
Beiqing Long Teng Investment Management (Beijing) Co., Limited	19.16	829	1,122
Chongqing Youth Media Company Limited	40.00	(331)	1,287
Beiqing Community Media Technology	47.34	20,045	19,331
Total		19,987	26,237

34. Total operating income, operating costs

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Principal operating income	208,255	205,793
Other operating income	9,036	14,134
Total operating income	217,291	219,927
Principal operating costs	191,295	206,548
Other operating costs	1,152	6,000
Total operating costs	192,447	212,548
Gross Profit	24,844	7,379

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

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

34. Total operating income, operating costs (Continued)

(1) Principal operations — by business

Item	For the year ended 31 December 2020		For the year ended 31 December 2019	
	Operating income	Operating costs	Operating income	Operating costs
Advertising	89,973	75,077	96,965	98,635
Printing	2,824	2,884	3,457	3,221
Trading of print-related materials	115,256	113,220	102,620	100,112
Publication	127	114	535	580
Other revenue	75	—	2,216	4,000
Total	208,255	191,295	205,793	206,548

(2) For the year ended 31 December 2020, the sum of operating income from the top five customers is RMB94,409 thousand, representing 43.45% of total operating income.

35. Tax and surcharges

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Cultural construction Fee	—	2,731
Urban maintenance and construction tax	183	173
Education surcharge	78	74
Local education surcharge	52	49
Stamp duty	81	132
Property tax	1,540	2,103
Urban land utilization tax	14	12
Vehicle and vessel tax	5	7
Others	11	94
Total	1,964	5,375

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For the year ended 31 December 2020

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

36. Financial expenses

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Interest expenses	138	444
Less: interest income	2,219	8,560
Less: exchange gain	138	—
Add: commissions and other expenses	75	64
Total	(2,144)	(8,052)

37. Other income

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Government grants from routine activities	420	370
Total	420	370

38. Investment income

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Share of profit of associates	(6,241)	(2,355)
Investment income received from the disposal of financial assets at fair value through profit or loss	22,944	—
Investment income received from holding investments of other equity instruments	9,615	—
Others	(981)	2,160
Total	25,337	(195)

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

39. Profit or loss on the changes in fair value

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Changes in fair value of other non-current financial assets	565	2,328
Gain on changes in fair value of investment properties	(20,882)	(15,803)
Total	(20,317)	(13,475)

40. Credit impairment losses

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Provision for bad debts	(112,718)	(95,885)
Total	(112,718)	(95,885)

41. Impairment loss of assets

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Provision for inventory impairment	(1,936)	(3,189)
Impairment loss on long-term equity investments	—	(10,669)
Impairment loss on intangible assets	—	(8,460)
Impairment loss on other non-current assets	—	(24,000)
Total	(1,936)	(46,318)

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

For the year ended 31 December 2020

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

42. Gain on disposal of assets

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Disposal of fixed assets	50	54
Total	50	54

43. Non-operating income

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Government grants unrelated to routine activities	—	55
Transfer-in without any payment	92	621
Others	9	21
Total	101	697

For the year ended 31 December 2020

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

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

44. Non-operating expenses

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Losses on damage or abandonment of non-current assets	—	9
Compensation and late payment charges	80	136
Others	57	17
Total	137	162

45. Income tax expenses

(1) Income tax expenses

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Current income tax expenses	6,036	108
Deferred income tax expenses	(1,258)	15,948
Total	4,778	16,056

(2) Current income tax expenses

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Current income tax — PRC	6,207	—
Under-provision in prior years — PRC	(171)	108
Total	6,036	108

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

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

For the year ended 31 December 2020

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

45. Income tax expenses (Continued)

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

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Total profit	(131,578)	(198,455)
Income tax calculated at the applicable tax rate of 25%	(32,894)	(49,614)
Tax effect of non-taxable income	—	2,519
Tax effect of non-deductible expenses	311	189
Tax effect of the Company's losses in current year	38,555	46,065
Tax losses previously unrecognized utilized	(1,023)	16,789
Under-provision in prior years	(171)	108
Total	4,778	16,056

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

Pursuant to the "Notice on the Continual Implementation of Certain Taxation Policies relating to the Transformation of Operational Culture Entities into Enterprises in the Cultural Regime Reform issued by the Ministry of Finance, the State Administration of Taxation and the Central Propaganda Department" (Cai Shui [2019] No. 16), the enterprises that have completed the transformation before 31 December 2018 can continue to enjoy the five-year EIT exemption starting from 1 January 2019.

46. Auditors' remuneration

The auditors' remuneration for the year was RMB1,200 thousand (2019: RMB1,800 thousand).

For the year ended 31 December 2020

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

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

47. Remuneration of Directors, Supervisors and Employees

(1) Remuneration of Directors and Supervisors

- 1) The amount paid or payable as remuneration to the 20 (2019: 22) directors and supervisors are as follows:

For the year ended 31 December 2020:

Name	Fees	Salary	Other benefits (i)	Employer's contribution to retirement benefit scheme	Total
Directors					
Ji Chuanpai	—	—	—	—	—
Wu Bin	—	—	—	—	—
Shang Da	—	381	73	4	458
Liu Jia	—	192	39	2	233
Zang Furong	—	—	—	—	—
Sun Fang	60	—	—	—	60
Yang Qing	60	—	—	—	60
Wu Tak Lung	33	—	—	—	33
Chan Yee Ping	50	—	—	—	50
Cui Enqing	100	—	—	—	100
Chen Ji	100	—	—	—	100
Wu Changqi	100	—	—	—	100
Shi Hongying	100	—	—	—	100
Subtotal	603	573	112	6	1,294
Supervisors					
Zhang Zhibing	—	—	—	—	—
Zhang Chuanshui	20	—	—	—	20
Zhao Meng	—	—	—	—	—
Yan Mengmeng	23	—	—	—	23
Zhang Bo	—	—	—	—	—
Wang Sisi	—	141	28	1	170
Xiao Guohui	—	138	32	2	172
Subtotal	43	279	60	3	385
Total	646	852	172	9	1,679

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

- (ii) During the year, no remuneration has been paid by the Group to the Directors and Supervisors as an inducement to join or upon joining the Group, compensation for loss of office or performance-based bonus.

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

For the year ended 31 December 2020

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

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

(1) Remuneration of Directors and Supervisors (Continued)

- 1) The amount paid or payable as remuneration to the 20 (2019: 22) directors and supervisors are as follows: (Continued)

For the year ended 31 December 2019:

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

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

(ii) During the year, no remuneration has been paid by the Group to the Directors and Supervisors as an inducement to join or upon joining the Group, compensation for loss of office or performance-based bonus.

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**47. Remuneration of Directors, Supervisors and Employees** (Continued)**(2) Five highest paid individuals**

During the year, of the five individuals with the highest remuneration in the Group, one (2019: one) was director. The remuneration of the remaining four individuals (2019: four) were as follows:

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Basic salaries and allowance	671	736
Performance-based salaries	1,387	818
Employer's contributions to retirement benefit scheme	47	176
Total	2,105	1,730

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

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
HKD0-HKD1,000,000 (equivalent to RMB841,640)	3	4
HKD1,000,001-HKD1,500,000 (equivalent to RMB841,641-RMB1,262,460)	1	—
Total	4	4

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

(3) Remunerations of Senior Management

The remunerations of Senior Management fall within the following band:

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
HKD0-HKD500,000 (equivalent to RMB420,820)	—	—
HKD500,001-HKD1,000,000 (equivalent to RMB420,821 to RMB841,640)	1	1
Total	1	1

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

For the year ended 31 December 2020

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

48. Retirement benefit scheme — defined contribution plans

All the full time employees of the Group are covered by a state-managed retirement benefit scheme under which the employees are entitled to an annual pension equal to their basic salaries upon their retirements. The PRC government is responsible for the pension liability to these retired employees. The Group was required to make defined contributions to the pension scheme at the rate of 16% for the year ended 31 December 2020 (2019: 16%) of the employees' basic salaries, which is subject to certain cap as stipulated by relevant local authority. Contributions to this retirement scheme are charged to the income statement as and when incurred. Under this scheme, the Group has no obligation for post-retirement benefit beyond the annual contributions.

As at 31 December 2020, contributions from retirement benefit scheme recognized in income statement was RMB722 thousand (2019: RMB5,303 thousand).

49. Dividends

(1) The Board did not propose payment of final dividend for 2020, subject to shareholders' approval at the shareholders' general meeting.

(2) No profit distribution or dividend was confirmed during the period.

50. Distributable reserve

As at 31 December 2020, the Company's undistributed profits available for distribution to shareholders were RMB-608,798 thousand (undistributed profits as at 31 December 2019: RMB-469,672 thousand)

51. Other comprehensive income

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Other comprehensive income not to be reclassified to profit or loss:		
Changes in fair value of other equity instruments investments	(9,971)	(179)
Other comprehensive income to be reclassified to profit or loss:		
Items attributable to investees under equity method subsequently reclassified to profit or loss	—	622
Exchange differences from retranslation of financial statement	(104)	32
Subtotal	(104)	654
Total	(10,075)	475

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

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

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Net profit	(136,356)	(214,511)
Add: Impairment loss of credit	112,718	95,885
Impairment loss of assets	1,936	46,318
Fixed assets depreciation	1,569	1,856
Amortization of intangible assets	952	1,366
Amortization of long-term deferred expenses	1,866	1,735
Depreciation of right-of-use assets	2,184	2,660
(Loss)/gain on disposal of fixed assets, intangible assets and other long-term assets	(50)	114
Loss on scrapping of fixed assets	—	(12)
Loss/(gain) on the changes in fair value	20,317	13,475
Financial expenses	138	(6,115)
Loss/(gain) on investment	(25,337)	195
Decrease/(increase) in deferred income tax assets	—	16,789
Increase/(decrease) in deferred income tax liabilities	(1,257)	(841)
Decrease/(increase) of inventories	(3,215)	5,717
Decrease/(increase) in operating accounts receivable	(10,905)	4,837
Increase/(decrease) in operating accounts payable	6,520	(40,122)
Net cash flow from operating activities	(28,920)	(70,654)

53. Changes in cash and cash equivalents

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Bank balances and cash at the end of year	195,660	187,707
Less: Bank balances and cash at beginning of year	187,707	186,519
Cash equivalents at the end of year	—	—
Less: cash equivalents at beginning of year	—	—
Net increase in cash and cash equivalents	7,953	1,188

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

For the year ended 31 December 2020

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

54. Cash and cash equivalents

Item	As at 31 December 2020	As at 31 December 2019
Bank balances and cash	240,221	217,264
Less: Restricted bank deposits	44,561	29,557
	195,660	187,707
Representing:		
Cash in hand	9	34
Deposits held at call with banks	195,651	187,547
Other currencies held at call with banks	—	126
Balance of cash and cash equivalents at the end of the period	195,660	187,707

55. Major non-cash transactions

During the year, certain advertising customers settled the obligation payable to the Group of RMB711 thousand through transferring other inventory at fair value of RMB711 thousand.

IX. CHANGES IN CONSOLIDATED SCOPE

There are no changes in consolidated scope arising from business combination for the period.

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

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

Name of subsidiary	Primary operation place	Registered place	Business nature	Registered capital	Shareholding percentage (%)		Acquisition methods
					direct	indirect	
BYD Logistics Company Limited	Beijing, PRC	Beijing, PRC	Logistics and warehousing	30,000	92.84	—	Establishment
Beiqing CéCi Advertising (Beijing) Limited	Beijing, PRC	Beijing, PRC	Advertising Services	80,000	84.69	—	Business Combination involving entities not under common control
Beijing Beiqing Outdoor Advertisement Co., Ltd.	Beijing, PRC	Beijing, PRC	Advertising Services	10,000	100.00	—	Business Combination involving entities under common control
Beiqing Network Culture Communication Co., Ltd.	Beijing, PRC	Beijing, PRC	Advertising Services	51,000	100.00	—	Establishment
Beiqing Long Teng Investment Management (Beijing) Co., Limited	Beijing, PRC	Beijing, PRC	Investment management	50,000	80.84	—	Establishment
Chongqing Youth Media Company Limited	Chongqing, PRC	Chongqing, PRC	Newspaper distribution, advertising services	30,000	60.00	—	Establishment
Beiqing Community Media Technology (Beijing) Co., Ltd. (Note 2)	Beijing, PRC	Beijing, PRC	Advertising Services	30,025	52.661	—	Establishment
CHONG QING YOUTH (AMERICA) LLC	California, United States	California, United States	Travel Rental	8,800	—	60.00	Establishment

Note: During the Reporting Period, none of the above subsidiaries had issued any share capital and debt securities.

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

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X. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(2) Significant not wholly owned subsidiaries

Name of subsidiary	Percentage of minority interest (%)	Profit or loss for the year attributable to minority interest	Dividends declared to the minority interest for the year	Balance of minority interest as at 31 December 2020
BYD Logistics Company Limited	7.16	(4,033)	—	(299)
Beiqing Community Media Technology (Beijing) Co., Ltd.	47.339	714	—	20,045

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

Name of subsidiary	As at 31 December 2020						As at 31 December 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
BYD Logistics Company Limited	56,082	27	56,109	60,284	—	60,284	105,037	400	105,437	53,266	—	53,266
Beiqing Community Media Technology (Beijing) Co., Ltd.	59,375	1,392	60,767	18,423	—	18,423	57,651	1,760	59,411	18,532	44	18,576

Name of subsidiary	For the year ended 31 December 2020				For the year ended 31 December 2019			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
BYD Logistics Company Limited	129,455	(56,345)	(56,345)	2,478	134,059	(20,371)	(18,302)	(65,518)
Beiqing Community Media Technology (Beijing) Co., Ltd.	45,541	1,509	1,509	(5,480)	46,517	(23,002)	(23,002)	(23,222)

For the year ended 31 December 2020

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

X. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (Continued)**2. Interests in associates****(1) Associates**

Name of associates	Registered place	Primary operation place	Business nature	Shareholding (%)		Voting percentage (%)	Business structure
				Direct	Indirect		
Beijing Leisure Trend Advertising Company Limited	Beijing	Beijing	Design, production, agency advertising	49.04	—	49.04	Limited liability company
Beijing Shengyi Automobile Technology Co., Ltd. (former name: 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 Times 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 sale	44.50	—	44.50	Limited liability company
Chongqing Soyang Internet Technology Co., Ltd	Chongqing	Chongqing	Network E-Commerce	—	35.00	35.00	Limited liability company
Beijing Shangyou Network Technology Co., Ltd	Beijing	Beijing	Network E-Commerce	—	30.00	30.00	Limited liability company
Beijing International Advertising Media Group Co., Ltd	Beijing	Beijing	Design, production, agency advertising	14.99	—	14.99	Limited liability company

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

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

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

For the year ended 31 December 2020

X. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (Continued)

2. Interests in associates (Continued)

(2) Major financial information for associates

Item	As at 31 December 2020/For the year ended 31 December 2020	As at 31 December 2019/For the year ended 31 December 2019
Associates:		
Total book value in investment	3,497	9,738
Aggregated amounts per shareholding percentage for the followings:		
— net profit	(6,241)	(2,355)
— other comprehensive income	—	622
— total comprehensive income	(6,241)	(1,733)

(3) Excess losses from associates

Name of associates	Accumulated unrecognized losses in the previous years on 31 December 2019	Unrecognized loss for the year (or net profits shared in the year)	Accumulated unrecognized losses in the previous years on 31 December 2020
Beijing Leisure Trend Advertising Company Limited	(5,423)	(354)	(5,777)
Beijing Shengyi Automobile Technology Co., Ltd. (former name: Beijing Beiqing Shengda Automobile Service Company Limited)	(1,193)	(6)	(1,199)
Beijing Beiqing Top Advertising Limited	(12,619)	—	(12,619)
Hebei Jujingcai E-commerce Company Limited	(872)	(5)	(877)
BY Times Consulting Co., Ltd.	(99)	(24)	(123)
Beijing International Advertising Media Group Co., Ltd	—	(5,454)	(5,454)
Total	(20,206)	(5,843)	(26,049)

Note: As of the date of this report, Beijing Beiqing Top Advertising Limited has not yet provided its 2020 financial statements.

For the year ended 31 December 2020

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

X. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (Continued)**3. 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 as at 31 December 2020	Proportion of total assets (%)
Beiyang Publishing & Media Co., Ltd.	Shijiazhuang	Shijiazhuang	Production, printing, publishing and distribution of books, newspapers and magazines	2.43	156,657	21.02
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	46,524	6.24
Beijing Youth Daily Newspaper Internet Communication Technology Co., Ltd.	Beijing	Beijing	Internet Information Service	5.00	2,746	0.37

(2) Major financial information of significant investees among other equity instruments investment:

Company name	Net profit attributable to owners of the Company for the year ended 31 December 2020 (RMB thousand)	Accumulated undistributed profits as at 31 December 2020 (RMB thousand)	Dividend received for the year ended 31 December 2020 (RMB thousand)
Beiyang Publishing & Media Co., Ltd.	—	—	9,615
Beijing Keyin Media and Culture Co., Ltd.	9,343	230,529	—

Note: As of the date of this report, Beiyang Publishing & Media Co., Ltd. has not yet released its 2020 financial report.

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

For the year ended 31 December 2020

X. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (Continued)

3. Equity in investment in other equity instruments (Continued)

(3) 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.

4. Equity 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 31 December 2020	Proportion of total assets (%)
Beijing Runxin Dingtai Investment Center (limited partnership)	Beijing	Beijing	Investment management	11.62	40,332	5.41
Suzhou Huaying Culture Industry Investment Enterprise (limited partnership)	Suzhou	Suzhou	Investment management	2.61	2,685	0.36

X. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (Continued)**4. Equity in other non-current financial assets** (Continued)**(2) The major financial information and investment strategies of major investees in respect of other non-current financial assets:**

Company name	Net profit attributable to owners of the Company for the year ended 31 December 2020 (RMB thousand)	Accumulated undistributed profits as at 31 December 2020 (RMB thousand)	Dividend received for the year ended 31 December 2020 (RMB thousand)
Beijing Runxin Dingtai Investment Center (limited partnership)	101,144	102,951	22,932

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

The Company's wholly-owned subsidiary, Beijing 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 list. 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 31 December 2020, the Company has received accumulated investment income of RMB54,506 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.

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XI. DISCLOSURE OF FAIR VALUES

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

Item	Fair value as at 31 December 2020			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
1. Fair value measurement on recurred basis				
(I) Other non-current financial assets	—	—	43,017	43,017
1. Financial assets designated at fair value through profit or loss	—	—	43,017	43,017
(1) Investment in equity instruments	—	—	43,017	43,017
(II) Investment in other equity instruments	—	—	205,927	205,927
(III) Investment properties	—	110,971	—	110,971
1. Leased building	—	110,971	—	110,971
Total assets at fair value on recurred basis	—	110,971	248,944	359,915

- (1) The fair value of the Group's other non-current financial assets as at 31 December 2020 is determined with reference to the valuation of net assets of investees;
- (2) The fair value of the Group's investment in other equity instruments as at 31 December 2020 is determined based on the valuation using income approach;
- (3) The fair value of the Group's investment properties as at 31 December 2020 is determined based on the recent market value of properties located at the same place with similar condition.

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

Related parties that had transactions with the Group during this 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.
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.
Subsidiary of BYDA	Beijing Beijing Culture and Arts Company
Subsidiary of BYDA	Beijing China Open Promotion Co., Ltd.
Subsidiary of BYDA	Beijing Youth Daily Network Communication Technology Co., Ltd.
Subsidiary of BYDA	Beijing Evening Education Consultancy Co., Ltd.
Associate of the Company	Beijing Beijing Top Advertising Limited
Associate of the Company	Beijing Leisure Trend Advertising Company Limited
Associate of the Company	Beijing Beisheng United Insurance Agency Co., Limited
Associate of the Company	Beijing Shengyi Automobile Technology Co., Ltd. (former name: 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
Associate of the Company	Beijing International Advertising Media Group Co., Ltd.
Other related parties	Shanghai China Business News Company Limited (Note 1)
Other related parties	Chongqing Youth Industrial Co., Ltd. (Note 2)
Other related parties	Chongqing Youth Daily
Other related parties	Korea Central M&B Publishing Group
Key Management Personnel of the Company	Directors, supervisors and senior management personnel including Ji Chuanpai

Note 1: Shanghai China Business News Company Limited is an associate of BYDA.

Note 2: Chongqing Youth Industrial Co., Ltd. is one of the shareholders of Chongqing Media.

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

For the year ended 31 December 2020

XII. RELATED PARTIES AND RELATED TRANSACTIONS (Continued)

2. Parent company and ultimate controlling company

(1) Parent company and ultimate controlling company

Name of parent company and ultimate controlling company	Type of enterprise	Registration place	Business nature	Legal representative	Unified social credit code
BYDA	State-owned enterprise	Beijing	Media and publishing	Tian Kewu	91110105MA008QJ53Y

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

	As at 1 January 2020	Increase in this period	Decrease in this period	As at 31 December 2020
Parent company	22,439	—	—	22,439

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

	Shareholding amount		Shareholding percentage (%)	
	As at 31 December 2020	As at 1 January 2020	As at 31 December 2020	As at 1 January 2020
Parent company	124,840	124,840	63.27	63.27

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

Related parties	Pricing principle for related transactions	For the year ended 31 December 2020	For the year ended 31 December 2019
BYDA (Note)	Contracted price	14,484	13,868
Subsidiaries of BYDA	Contracted price	3,441	4,091
Other related parties	Contracted price	97	284
Total		18,022	18,243

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 within the period from 1 October 2004 to 30 September 2033.

(2) Sale of goods/rendering services

Related parties	Pricing principle for related transactions	For the year ended 31 December 2020	For the year ended 31 December 2019
BYDA	Contracted price	18	385
Subsidiaries of BYDA	Contracted price	771	2,087
Associates of the Company	Contracted price	—	—
Other related parties	Contracted price	—	—
Total		789	2,472

(3) Leasing — The Group as lessor

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

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

For the year ended 31 December 2020

XII. RELATED PARTIES AND RELATED TRANSACTIONS (Continued)

3. Related transactions (Continued)

(4) Leasing — The Group as Lessee

Name of lessor	Nature of assets leased	Date of commencement	Date of termination	Basis for rental income for the year	Rental income recognized
BYDA	Building	2019-1-1	2021-12-31	Contracted price	1,751
BYDA	Building	2020-1-1	2021-12-31	Contracted price	544

(5) Remuneration for key management personnel

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Remuneration for key management personnel	2,138	2,451

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

(6) Financial guarantee from related parties

Nil

XII. RELATED PARTIES AND RELATED TRANSACTIONS (Continued)**3. Related transactions (Continued)****(7) Continuing Related transactions**

Save as the related transactions and continuing related transactions disclosed in the chairman's statement of the 2020 annual report of the Company, there is no related party transaction or continuing related party transaction included in this note that constitutes a disclosable related transaction or continuing related transaction under the Listing Rules. The Company has complied with the Chapter 14A of the Listing Rules in respect of the disclosure of its related transactions and continuing related transactions.

For the year ended 31 December 2020, the following continuing related party transactions of the Company constitute continuing related transactions under the Chapter 14A of the Listing Rules.

Name of transaction	Name of connected person	For the year ended 31 December 2020			
		Date of announcement	Nature of transaction	Maximum Annual Cap	Amount for the year
Mutual Property Tenancy Agreement	BYDA	2018-11-12	Rental income	6,812	6,250
			Rental expense	6,000	1,751
Advertising Business Agreement	BYDA	2018-11-12	Payment of exclusive advertising right	13,500	4,055
Printing Framework Agreement	BYDA & Subsidiaries	2018-11-12	Income from printing services and printing materials	13,000	789
Delivery Service Framework Agreement	BYDA & Subsidiaries	2018-11-12	Direct mail advertisements and its wrap-around advertisements Advertising delivery expense	3,000	—
Advertising Agency Framework Agreement	BYDA & Subsidiaries	2018-11-12	Advertising placement income	5,000	—
		2019-2-27	Advertising placement expense	16,000	13,050

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

For the year ended 31 December 2020

XII. RELATED PARTIES AND RELATED TRANSACTIONS (Continued)**4. Current accounts balances with related parties****(1) Accounts receivable due from related parties**

Related parties	As at 31 December 2020		As at 31 December 2019	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
BYDA	12,969	—	5,657	—
Associates of the Company	47,883	47,623	47,884	47,420
Subsidiaries of BYDA	116,499	104,429	115,927	14,331
Other related parties	6	5	—	—
Total	177,357	152,057	169,468	61,751

(2) Other receivables due from related parties

Related parties	As at 31 December 2020		As at 31 December 2019	
	Carrying amount	Provision for bad debts	Carrying amount	Carrying amount
Associates of the Company	39	39	39	39
Subsidiaries of BYDA	5,156	3,896	5,178	2,695
Other related parties	—	—	—	—
Total	5,195	3,935	5,217	2,734

(3) Accounts payable due to related parties

Related parties	As at	As at
	31 December 2020	31 December 2019
BYDA	1,762	501
Subsidiaries of BYDA	639	736
Other related parties	616	616
Total	3,017	1,853

XII. RELATED PARTIES AND RELATED TRANSACTIONS (Continued)**4. Current accounts balances with related parties** (Continued)**(4) Other payables due to related parties**

	As at 31 December 2020	As at 31 December 2019
Related parties		
BYDA	860	816
Subsidiaries of BYDA	150	150
Associates of the Company	100	100
Other related parties	25	77
Total	1,135	1,143

(5) Prepayment due to related parties

	As at 31 December 2020	As at 31 December 2019
Related parties		
BYDA	113	7,861
Total	113	7,861

XIII. COMMITMENTS AND CONTINGENCIES**1. In addition to the commitments disclosed in the other notes to the financial statements, the Group has the following commitments:****(1) The Group as lessee**

As at 31 December 2020, the Group had contracted for the minimum lease payments under non-cancelable operating leases during following periods:

Period	As at 31 December 2020	As at 31 December 2019
Within one year	706	683
1–2 years	95	281
2–3 years	—	95
After 3 years	—	—
Total	801	1,059

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

For the year ended 31 December 2020

XIII. COMMITMENTS AND CONTINGENCIES *(Continued)*

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

(2) *The Group as Lessor*

As at 31 December 2020, the Group had contracted with tenants for the following future minimum lease payments:

Period	As at 31 December 2020	As at 31 December 2019
Within one year	7,327	7,507
1–2 years	217	7,017
2–3 years	220	205
After 3 years	55	256
Total	7,819	14,985

2. Contingencies

(1) *Pending Litigation*

In 2020, Beijing Beiqing Top Advertising Limited sued BYDA and the Company due to liability dispute for harming its interest. The case is currently under trial.

(2) The Group has no other material contingencies to be disclosed except the above up to 31 December 2020.

XIV. POST BALANCE SHEET EVENTS

The Group has no other major post-balance sheet events that need to be disclosed.

XV. SEGMENT INFORMATION

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

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

For the year ended 31 December 2020

(Amounts expressed in thousands of RMB unless otherwise stated
in the notes to the financial statements)**XV. SEGMENT INFORMATION** (Continued)**1. For the year ended 31 December 2020**

Item	Trading of					Elimination	Total
	Advertising	Printing	print-related materials	Distribution	Unallocated amount		
Operating income	90,019	7,020	122,435	127	10,384	(12,694)	217,291
Including: Income from external transactions	89,973	2,824	115,256	127	9,111	—	217,291
Income from intra-segment transactions	46	4,196	7,179	—	1,273	(12,694)	—
Total operating costs	114,601	6,872	122,986	1,063	6,841	(12,694)	239,669
Provision for impairment	43,083	2,987	53,179	37	70,368	(55,000)	114,654
Gains on changes in fair value	—	—	—	—	(20,317)	—	(20,317)
Investment income	—	—	—	—	25,337	—	25,337
Gain on disposal of asset	—	—	—	—	50	—	50
Other income	—	—	—	—	420	—	420
Operating profit (loss)	(67,665)	(2,839)	(53,730)	(973)	(61,335)	55,000	(131,542)
Non-operating income and expenses	(57)	2	39	—	(20)	—	(36)
Total profit	(67,722)	(2,837)	(53,691)	(973)	(61,355)	55,000	(131,578)
Income tax expenses	—	(9)	(162)	—	4,949	—	4,778
Net profit	(67,722)	(2,828)	(53,529)	(973)	(66,304)	55,000	(136,356)
Total assets	294,765	3,043	53,067	250	676,773	(282,451)	745,447
Total liabilities	70,003	3,269	57,015	710	38,031	(72,077)	96,951
Supplementary information							
Depreciation and amortization expenses	4,941	20	352	16	1,242	—	6,571
Capital expenditure	169	—	—	—	594	—	763
Impairment of assets	43,083	2,987	53,179	37	70,368	(55,000)	114,654
Non-cash expenses excluding depreciation and impairment of assets	—	—	—	—	—	—	—

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

For the year ended 31 December 2020

XV. SEGMENT INFORMATION (Continued)

2. For the year ended 31 December 2019

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

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

For the year ended 31 December 2020

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

Categories of assets leased out under operating leases	As at 31 December 2020	As at 31 December 2019
Investment properties and fixed assets	111,228	132,846
Total	111,228	132,846

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

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Cost of raw materials and inventory goods	114,631	103,980
Press production, printing and distribution and delivery charges	19,578	36,087
Advertising space and newspaper operation right transferring fee and agency fee	39,443	44,746
Employee remuneration, social security, provident fund, employee benefit, educational fee and union fee	45,469	54,379
Leasing, property, utilities and maintenance fee	4,859	6,758
Intermediary, professional services and labour costs	7,558	6,810
Travel, transportation, meeting and Business Hospitality	996	4,799
Office, information and communication costs	1,362	3,068
Sales tax and surcharge	1,964	5,375
Depreciation and amortization expense	4,598	4,959
Transportation and handling charges	836	401
Financial expenses	(2,144)	(8,052)
Others	519	158
Total	239,669	263,468

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

For the year ended 31 December 2020

XVII. SUPPLEMENTARY INFORMATION (Continued)

2. Earnings per share

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
Net profit attributable to shareholders of the Company for the year	(130,176)	(196,538)
Weighted average number of issued ordinary shares (thousand shares)	197,310	197,310
Earnings per share (RMB)	(0.66)	(0.99)

Diluted earnings per share and basic earnings per share during the years ended 31 December 2019 and 2020 were the same, as no diluting events existed for both years.

3. Financial Instruments and risk management

Classification of financial instruments

Item	As at 31 December 2020	As at 31 December 2019
Financial assets		
Investment at fair value through profit or loss, at fair value	43,017	54,356
Loan and receivables (including cash and cash equivalents)	342,266	431,160
Financial liabilities, at amortised cost	65,125	65,052

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

Major financial instruments of the Group include bank balances and cash, financial assets available for sale, notes receivable, accounts receivable, other receivables, other current assets, notes payable, accounts payable, employee benefit payables, tax payables, other payables, non-current liabilities due within one year and long-term borrowings and lease liabilities, etc. Details of the financial instruments are disclosed in their respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(1) Objective and policies of risk management

The Group engages in risk management with the aim of achieving an appropriate balance between risks and returns, where the negative effects of risks against the operating results of the Group are minimised, in order to maximise the benefits of shareholders and other stakeholders. Based on such objective in risk management, the underlying strategy of risk management of the Group is to ascertain and analyse all types of risks exposures of the Group, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus confine risk exposures within a prescribed scope.

1) Currency risk

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

2) Interest rate risk

The Group is exposed to fair value interest rate risk through bank fixed deposits and bank loans (see Notes VIII.1 for details respectively). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable interest rate bank balances (see Note VIII.1 for details) due to the fluctuation of the prevailing market interest rate. The management will continuously monitor interest rate fluctuation and will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of base rate published by the People's Bank of China arising from the Group's RMB bank balances.

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

For the year ended 31 December 2020

XVII. SUPPLEMENTARY INFORMATION *(Continued)*

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

Classification of financial instruments (Continued)

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

2) Interest rate risk *(Continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the year. For variable-rate bank balances, the analysis is prepared assuming the financial assets outstanding at the end of the year were unsettled for the whole year and the stipulated change that took place at the beginning of the financial year was held constant throughout the financial year. A 25 base point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 base points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2020 would increase/decrease by RMB284 thousand. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

In management's opinion, the sensitivity analysis is not necessarily of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

3) Credit risk

As at 31 December 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet

In order to minimise the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each year to ensure that adequate provision for impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on current assets is limited because the majority of the counter parties are banks with high credit ratings assigned by international credit-rating agencies.

The Group is subject to concentration risk on geographical location as it operates in the PRC market only. However, The Group has no significant concentration of credit risk as the Group's credit exposure spreads over a wide range of different counter parties and customers.

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

4) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at end of the reporting period.

Liquidity table

Item	Less than 1 year		1-5 years		Total undiscounted		Carrying amount	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Notes payable	10,807	5,669	—	—	10,807	5,669	10,807	5,669
Accounts payable	13,335	10,306	—	—	13,335	10,306	13,335	10,306
Other payables	30,344	40,445	—	—	30,344	40,445	30,344	40,445
Non-current liabilities due within one year	218	239	—	—	237	283	218	239
Leased liabilities	—	—	83	322	87	400	83	322

5) Fair value

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

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

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

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

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XVII. SUPPLEMENTARY INFORMATION (Continued)

4. Capital management

The Company's capital management policy aims to safeguard the continuous operation of the Company, so as to provide returns to shareholders and provide profits to other stakeholders as well as maintain the best capital structure to lower capital cost.

The Company utilizes gearing ratio to monitor capital management. Gearing ratio of the Company is set out as below:

Item	As at 31 December 2020	As at 31 December 2019
Gearing ratio	14.95%	12.64%

5. Balance sheet of the Company

Item	Notes	As at 31 December 2020	As at 31 December 2019
Current assets:			
Bank balances and cash		119,005	138,504
Accounts receivable	XVIII.1	63,352	101,238
Prepayments		37,323	47,573
Other receivables		2,190	2,181
Inventories		1,439	1,897
Other current assets		28,981	33,160
Total current assets		252,290	324,553
Non-current assets :			
Long-term equity investment	XVIII.2	211,415	272,626
Other equity instruments investment		203,181	213,078
Other non-current financial assets		2,685	2,717
Investment properties		73,812	90,718
Fixed assets		1,706	2,492
Right-of-use assets		1,685	3,369
Intangible assets		20,015	20,964
Long-term deferred expenses		1,699	3,267
Other non-current assets		—	—
Total non-current assets		516,198	609,231
Total assets		768,488	933,784

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(Amounts expressed in thousands of RMB unless otherwise stated
in the notes to the financial statements)**XVII. SUPPLEMENTARY INFORMATION** (Continued)**5. Balance sheet of the Company** (Continued)

Item	As at 31 December 2020	As at 31 December 2019
Current liabilities:		
Accounts payable	4,203	3,263
Contractual liabilities	13,917	20,562
Employee benefit payables	3,331	4,461
Tax payables	97	113
Other payables	28,038	38,295
Other current liabilities	835	—
Total current liabilities	50,421	66,694
Total liabilities	50,421	66,694
Shareholders' equity:		
Share capital	197,310	197,310
Capital reserves	904,453	904,453
Other comprehensive income	94,171	104,068
Surplus reserves	130,931	130,931
Undistributed profits	(608,798)	(469,672)
Total shareholders' equity	718,067	867,090
Total liabilities and shareholders' equity	768,488	933,784

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

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XVII. SUPPLEMENTARY INFORMATION (Continued)

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

Item	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Undistributed profits	Total shareholders' equity
As at 1 January 2019	197,310	904,453	104,334	130,931	(367,582)	969,446
Net profit	—	—	—	—	(102,090)	(102,090)
Other comprehensive income	—	—	(266)	—	—	(266)
Sub-total of the changes during the year	—	—	(266)	—	(102,090)	(102,356)
As at 31 December 2019	197,310	904,453	104,068	130,931	(469,672)	867,090
Change in accounting policies	—	—	—	—	—	—
As at 1 January 2020	197,310	904,453	104,068	130,931	(469,672)	867,090
Net profit	—	—	—	—	(139,126)	(139,126)
Other comprehensive income	—	—	(9,897)	—	—	(9,897)
Sub-total of the changes during the year	—	—	(9,897)	—	(139,126)	(149,023)
As at 31 December 2020	197,310	904,453	94,171	130,931	(608,798)	718,067

XVIII. EXPLANATORY NOTES TO MAJOR ITEMS OF THE COMPANY

1. Accounts receivable of the Company

Item	As at 31 December 2020	As at 31 December 2019
Accounts receivable	283,894	275,101
Less: Provision for bad debts	220,542	173,863
Net accounts receivable	63,352	101,238
For reporting purpose, analysis as:		
Non-current assets — long-term receivables	—	—
Current assets — accounts receivable	63,352	101,238
Total	63,352	101,238

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

Item	As at 31 December 2020	As at 31 December 2019
0–90 days	7,046	6,410
91–180 days	4,513	6,680
181–365 days	6,423	6,971
1–2 years	10,936	10,928
Over 2 years	34,434	70,249
Total	63,352	101,238

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

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

For the year ended 31 December 2020

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

1. Accounts receivable of the Company (Continued)

(2) Analysis of account receivable by categories:

Item	As at 31 December 2020				As at 31 December 2019			
	Balance of carrying amount		Provision for bad debts		Balance of carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with bad debt provision made on individual basis	5,031	1.77	5,031	100.00	1,801	0.65	1,801	100.00
Accounts receivable with bad debt provision made on group basis:	278,863	98.23	215,511	77.28	273,300	99.35	172,062	62.96
Aging group	154,272	54.34	129,715	84.08	156,919	57.04	119,105	75.90
Related party group	124,591	43.89	85,796	68.86	116,381	42.31	52,957	45.50
Total	283,894	100.00	220,542		275,101	100.00	173,863	

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

Item	As at 31 December 2020			As at 31 December 2019		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
Within 1 year	11,577	16.02	1,855	14,146	15.58	2,204
1-2 years	5,227	45.69	2,388	5,353	39.94	2,138
2-3 years	3,188	63.59	2,027	32,909	57.78	19,015
3-4 years	32,390	77.04	24,953	25,513	75.47	19,255
Over 4 years	101,890	96.67	98,492	78,998	96.83	76,493
Total	154,272	—	129,715	156,919	—	119,105

(3) The top five accounts receivable as at 31 December 2020 represented 44.13% of the total accounts receivable.

For the year ended 31 December 2020

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

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

2. Long-term equity investment of the Company

(1) Classification of long-term equity investments

Item	As at 31 December 2020			As at 31 December 2019		
	Balance of carrying amount	Impairment provision	Carrying value	Balance of carrying amount	Impairment provision	Carrying value
Investments in subsidiaries	264,304	55,000	209,304	264,304	—	264,304
Investments in associates	12,780	10,669	2,111	18,991	10,669	8,322
Total	277,084	65,669	211,415	283,295	10,669	272,626

(2) Investments in subsidiaries

Investee	Balance on	Increase	Decrease	Balance on	Provision for	Balance of
	1 January			31 December		impairment
	2020	in this year	in this year	2020	in this year	provision on
BYD Logistics Company Limited	44,814	—	—	44,814	—	—
Beiqing CèCi Advertising (Beijing) Limited	55,000	—	—	55,000	55,000	55,000
Beijing Beiqing Outdoor Advertisement Co., Ltd.	39,390	—	—	39,390	—	—
Beiqing Network Culture Communication Co., Ltd.	51,000	—	—	51,000	—	—
Beiqing Long Teng Investment Management (Beijing) Co., Limited	21,100	—	—	21,100	—	—
Chongqing Youth Media Company Limited	18,000	—	—	18,000	—	—
Beijing Community Culture Media (Beijing) Limited	35,000	—	—	35,000	—	—
Total	264,304	—	—	264,304	55,000	55,000

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

For the year ended 31 December 2020

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

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

(3) Investments in associates

Investee	Balance on		Changes in the current year							Balance of	
	1 January	Additional	Decrease in	Investment	Other	Declaration of	Provision for	Balance on	provision on		
	2020	investment	investment	gain or loss	comprehensive	cash divided or	impairment	31 December	31 December		
				recognized	income	other equity	profit	2020	2020		
				under equity	adjustment			Others			
				method							
Associates											
Beijing Leisure Trend Advertising Company Limited	—	—	—	—	—	—	—	—	—	—	
Beijing Shengyi Automobile Technology Co., Ltd. (former name: Beijing Beijing Shengda Automobile Service Company Limited)	—	—	—	—	—	—	—	—	—	—	
Beijing Beisheng United Insurance Agency Co. Limited	1,842	—	—	269	—	—	—	—	2,111	—	
BY Times Consulting Co., Ltd.	—	—	—	—	—	—	—	—	—	—	
Beijing Transmedia Co., Ltd.	—	—	—	—	—	—	—	—	—	—	
Beijing Beijing Top Advertising Limited	—	—	—	—	—	—	—	—	—	—	
Hebei Jujingcai E-commerce Company Limited	—	—	—	—	—	—	—	—	—	—	
Beijing International Advertising Media Group Co., Limited	6,480	—	—	(6,480)	—	—	—	—	—	10,669	
Total	8,322	—	—	(6,211)	—	—	—	—	2,111	10,669	

XIX. APPROVAL OF FINANCIAL REPORT

This financial report was approved by the Board of the Company on 26 March 2021.

Beijing Media Corporation Limited

26 March 2021