



**Focus Media Information Technology
Co., Ltd.**

Corporate Social Responsibility Report

2018.04

Section 1 Company Overview

Founded in 2003 as a pioneer of elevator media globally, Focus Media is the world's biggest elevator and cinema media group. Its IPO in 2005 on Nasdaq marked the first among Chinese advertisers and it was included in the Nasdaq 100 Index in 2007. In 2015, Focus Media returned to the A-share market.

Focus Media operates the largest network of life-style media across Chinese cities. It is specialized in the development and operation of life-style media. Its main products include LCD TV display network, digital frame network, poster frame network and movie theater ad network, which cover the most prevailing consumer engagement scenarios in the city from workplace to shopping and entertainment. Together they make up a powerful ecosystem of life-style media.

In 2017, Focus launched its South Korean subsidiary, expanding its footprint to 15 Korean cities such as Seoul and Busan.

Section 2 Our Responsibilities

I. To our shareholders and creditors

(I) Increasing operational compliance

Focus Media operates in strict compliance with the *Company Law*, *Securities Law* and its Articles of Association (AoA), among other laws and regulations. With the aim of improving corporate governance and establishing robust internal controls, Focus Media has conducted activities lawfully and diligently in relation to the Annual General Meeting (AGM), Board of Directors (BoD), Board of Supervisors (BoS) and Management with clearly defined roles, accountability and mutual oversight. During the reporting period, the BoD and its four committees, the BoS and Management discharged their responsibilities pursuant to the established procedures and protocols and ensured transparent, fair and unbiased decisions.

Four GM was convened this year in line with the provisions of the *Company Law* and the AoA. The calling, proceedings, qualified attendance, voting procedures and outcomes of the AGM were consistent with the requirements of applicable laws and regulations. The Company engaged qualified attorneys as onsite witness and arranged a separate tally of the votes on matters of material impact on minority shareholders. It also ran an online voting session for fairness and protection of investor rights, especially for minority shareholders.

Open and transparent information disclosure is an important operational norm. In line with the prevailing laws and regulations, the Company has developed a set of Disclosure Rules and a disclosure process steered by the BoD with the Chairman as the primary responsible person and the Board Secretary as the principal responsible person. Before any

disclosure, the Chairman, Board Secretary and CFO shall review the information for compliance, keep a complete record of insiders throughout the disclosure cycle including information preparation, transmission and review to ensure truthful, accurate, complete, timely and fair disclosure of periodic reports and ad hoc announcements and to protect shareholders' interests.

(II) Improving investor relations

The Company attaches great importance to investor relations. It conducts activities such as analysis and research, visitor reception, investor communication, public relations and crisis management in strict accordance with the Company's Investor Relations Management Rules. This keeps investors attuned to the Company on multiple channels. The Company created a full-time IR headcount to assist the Board Secretary in hosting investor visits, answering investor queries from the hotline and *official IRM* platform, responding to meaningful emails via the Company's public email account, and communicating fully to investors, analysts and journalists on matters of interest such as performance updates, project implementation and long-term plans. The aim is to maintain ongoing interactions while managing public expectations.

(III) Maintaining a positive and stable dividend policy

The Company's dividend policy focuses on giving back reasonable investment returns to shareholders and maintaining the continuity and stability of dividends. The Company sets its dividend policy strictly in line with the payout ratios stipulated in its AoA and Dividend Management Rules.

The Company proposed the following dividend policy for 2017: it distributes no bonus share for the current year. Based on the total share capital of 12,231,566,900 shares as at December 31st, 2017, the Company shall distribute RMB 1.00 (including tax) in cash dividend per 10 shares to all shareholders, i.e. RMB 0.10 (including tax) per share. The above profit distribution plan shall distribute a total of RMB 1,223,156,690 in cash dividends. The remaining undistributed profits are reserved for future distribution. Also from the capital reserves, 2 additional shares per 10 shares shall be allocated to existing shareholders. As a result, the Company's total share capital shall be increased by 2,446,313,380 shares to 14,677,880,280 shares.

The Company's cash dividend payouts on common stock in the past three years (including the current reporting period) are as follows:

Dividend year	Cash dividend amount (incl. tax)	Dividend year net profit attributable to the common shareholders of the Company in the consolidated book	Share of net profit attributable to the common shareholders of the Company in the consolidated book	Other forms of cash dividend	Share of other forms of cash dividend
2017	1,223,156,690.00	6,004,706,786.08	20.37%	0.00	0.00%
2016	3,564,628,068.00	4,451,211,722.61	80.08%	0.00	0.00%
2015	1,092,104,187.50	3,389,142,023.94	32.22%	0.00	0.00%

(IV) Upholding honesty and integrity

Apart from shareholders, the Company also protects creditors. It acts in the spirit of honesty and integrity, lives up to its contractual obligations, limits its risk exposure, ensures financial robustness and security, consciously fulfills its debt obligations, and protects creditors while seeking profit maximization for its shareholders. Such efforts have been commended by the regulators.

II. To our employees

Employees help create the corporate wealth and their hard work contribute to our growth. As such, the Company has an unshirkable responsibility to protect employee rights and interests. It adopts a people-first mentality in pursuing win-win results while keeping the sustainability of its workforce.

(I) Protecting employees' legitimate rights and interests

The Company faithfully follows the *Labor Law* and *Labor Contract Law* in signing labor contracts with and protecting the legitimate rights and interests of each employee. To have both fairness and attractiveness and for the purpose of effectively retaining and incentivizing talent, the Company has developed a compensation scheme specific to each position. It contributes to the social insurance scheme as required by law which includes pension, medical insurance, unemployment benefits, work-related injury insurance, and maternity insurance. It makes monthly payment to the housing provident fund on time and in full. Employees also enjoy paid annual leave and physical examination, among other benefits.

The Company ensures no less than 1/3 of the BoS supervisors are employee representatives. These employee representatives are elected by the employees of the Company in the employee representative assembly, the general meeting of employees, or other forms of democratic election. As supervisors, they have full rights in corporate governance on matters affecting the employees.

(II) Prioritizing employee training

In 2017, the Company developed a training system and talent development program to attract, motivate and inspire employees to develop diverse skills and become a highly proficient, creative, and cohesive team. New employee training is conducted within one month of joining through video conferencing and assessment to introduce new employees to the Company's history, corporate culture, CSR efforts, different functions and the

Employee Handbook so that they could become knowledgeable and productive right away. Sales training is tailored based on time, place and audience for new, frontline and elite members of the sales force and is conducted through the Focus University and reading club, etc. and the trainees are subject to tests and incentives. General staff training is conducted through a newsletter with a segment of talks featuring inspirational stories. Each function also regularly organizes team-building events to enrich employees' cultural life.

(III) Shaping a culture anchored around “passion, compliance, integrity and win-win partnership”

Our values - “passion, compliance, integrity and win-win partnership”.

Passion --- We must keep the entrepreneurial drive and give our best in everything we do. This relates to our original intention and relentless pursuit as a company. Setback, adversity, failure and frustration make up the ladder to our growth. Passion, courage, persistence, and dedication speak to our unyielding attitude.

Integrity --- Honesty is the foundation of what we do and how we interact with others. Trust is the common language of communication. We must treat others with sincerity, think from customers' perspective, and collaborate with trust. Integrity is the key to creating harmony and reinforcing a virtuous cycle.

Compliance --- We must ensure compliance through norms and encourage innovation through our processes. Through a fair, just and transparent management system, we inspire passion and potential in our people so that every diligent and dedicated employee could fuel our progress.

Win-win partnership --- We encourage inclusion, collaboration and sharing among our people and a service mentality towards our customers and partners. We seek common success among individual employees, the company and our customers. We prioritize service above all else and strive for balanced and win-win outcomes of media value, social impact, employee growth and customer gains.

III. To our customers

We operate with honesty and integrity. We honor our commitments. We have close relations with our customers. We fully respect and protect their legitimate rights and interests. We always put our customers first. We act in their best interest and with great empathy. We strive to improve customer satisfaction. We show equal respect and care for each customer. We continue to raise the bar of service and provide customers with thoughtful and comprehensive services.

IV. To environmental protection and sustainable development

As the second largest media group in China, we operate in a low-power and light-pollution industry, but we take environmental protection as our responsibility nonetheless. We advocate green office and a green and energy-efficient workplace. We implement measures in all aspects of our business to save energy and reduce emissions. We are for

less standby time for high-power equipment and less or secondary use of paper. We developed the BPM system to achieve paperless approval. We recycle printer cartridges. We use video conferencing as an alternative to travel. We continue to run awareness-building campaigns on energy conservation and emissions reduction to encourage employee actions and incorporate green and clean practices into our corporate culture with everyone onboard.

V. To the public and society

On the long yet heart-warm journey of doing good, we act as a guardian of dreams and a forerunner with concrete actions. We show generosity and love every step of the way. We grow as we practice. So far, we have set up charitable programs such as education for rural children and relief for orphans and children affected by extreme poverty or critical illnesses in addition to publicity campaigns. We continue to pursue charitable causes aligned with our strengths and internalize such programs in our core values.

(I) Focusing on advancing rural education in China

Our commitments to education run deep. Over the years, we have been promoting the upgrade of rural education in China as an important pillar of our CSR efforts.

In April 2016, we became a top-tier sponsor and partner of Teach for China (TfC), a rural teacher volunteering program. We also committed a grant of RMB 20 million to help TfC teachers in Guangxi and funded the first Focus TfC primary school as a testament of our undiminished support for grassroots education in China.

In April 2017, our executive team visited the Focus TfC school. They examined every inch of the school ground: color paintings on the white walls, sorted waste bins in the corners, imported water purification system, bathrooms which are rarely seen in rural schools, and even a health evaluation manual specially designed for children, with records and remarks on children's behavior such as brushing teeth and taking body temperature.

In summer 2017, our Chinese employees collected PCs and books and set up a multimedia classroom and a reading room for the Focus TfC school, as well as a professional art teaching classroom. The Focus TfC school is a successful demonstration replicable to more rural schools in China where rural children can have access to uncompromised basic education.

On Charity Day on September 9th, 2017, we ran a *Donate with Love* fund-raising campaign with TfC. Focus Media Chairman Jason JIANG personally appeared in the *Supporting Rural Education* public service video with other Focus executives. They raised their hands before a poster that read "raise your hands and change our future in two years". The video was played on hundreds of thousands of Focus Media elevator screens in some 100 cities.

On November 15th, 2017, Focus Media Yunnan Branch organized a study tour for Focus TfC school students, the first such tour in Xinglong Village. WANG Ke, the school principal, said, "*The children of our school have rarely been to Chuxiong, let alone big cities like Kunming. Children growing up in the city may be used to things around them like bike sharing, high-rise buildings, and university campus, but our children rather see them as pleasant surprises.*"

I was really touched by their curious questions. Seeing the former National Southwest Associated University and the Yunnan Provincial Museum with their own eyes was more educational than words to describe them in the classroom. As we often say, life is learning and learning is life."

For years, we have been closely following and deeply involved in the *iFly Training of Rural Teachers Program*, another important initiative on rural education. We have been involved since the very first program. Out of our continued interest in this program, we further donated RMB 600,000 in late 2016 for the exclusive naming right on the second iFly charity concert and used our media platforms to spread the word. We are currently working with iFly to set up the Focus iFly Foundation. We are hoping to leverage iFly's dedicated platform to empower rural teachers.

(II) Caring for orphans and children affected by poverty or critical illnesses and brightening the prospect for children in adversity

Chairman Jason JIANG once said our dream was to see smile on the face of every child under the sun. We have stayed true to this dream by investing relentlessly in children's education and well-being. One such program targets orphans and children affected by poverty or critical illnesses.

In 2017, we made a grant of RMB 5 million to the Ai You Foundation for the *Ai You Reborn* project for sick orphans. So far, we have accumulatively donated over RMB 50 million to the Ai You Foundation and deployed tens of millions worth of media resources to direct more attention and resources to children's causes.

On September 9th, 2017, Jason JIANG, joined by other business leaders like WANG Bing, ZUO Hui, FANG Hongbo and SUN Jie, made a call for Ai You. We also mobilized more than 3 million online "donations with steps" to the *Ai You Pediatric Medical Relief Program* to provide a loving future for the orphaned child patients.

Going forward, we shall continue to support the extension of the Ai You programs, take pragmatic steps to enhance the well-being of Chinese children, and create a conducive environment for charity.

(III) Actively conducting outreach campaigns to instill positive values

Since its inception in 2003, Focus Media has deployed tens of millions of scarce media resources each year to run outreach campaigns and promote positive values. For many years, we have been aligning our efforts with the government's publicity plan, calling our media resources to raise the public awareness of environmental protection, ethics, health and safety and disaster relief. We played a constructive role in the publicity campaigns around the Shanghai Special Olympics World Games, Wenchuan earthquake relief, Shanghai World Expo, Taiwan typhoon Morakot relief and the 60th National Day celebration.

Focus Media draws upon the strengths of its media platforms, takes concrete actions to advance commendable causes and create a conducive environment for charity, and drives and directs more attention and resources to charitable causes. In 2017, Focus Media worked closely with the Shanghai Commission of Economy and Information Technology, Shanghai Administration for Industry and Commerce, Shanghai Environmental

Protection Bureau and Shanghai Municipal Bureau of Planning and Land Resources on a dozen outreach campaigns around March 15th International Consumer Rights Day, the new Advertising Law and World Environment Day. The content produced spanned across ethics, health and safety, citizen rights and wildlife protection. Such campaigns penetrated all levels of the society and effectively enhanced awareness.

In its long track record of public service campaigns, Focus Media has upheld positive values and incorporated many such uplifting spirits and values into its commercial activities. At the same time, Focus continues to synthesize media broadcasting and publishing experiences on its unique media platform and formats to maximize the impact of public service communication with distinct Focus characteristics.

Section III CSR Self-assessment and Outlook

In 2017, the Company fulfilled its corporate social responsibilities in accordance with relevant regulations such as the *Guidelines of the Shenzhen Stock Exchange on Operational Compliance of Companies Listed on the Small and Medium-Sized Enterprise Board*. Its progress on the protection of shareholders and creditors, employees, customers, the environment and social welfare is self-evident and commendable. We recognize surely this is not the finishing line for our CSR efforts and there is still room for improvement.

In 2018, the Company shall continue its effective implementation of various CSR programs, closely align such efforts to its corporate strategy, deliver positive impact for shareholders, protect stakeholders and the environment, and advance charitable causes to maximize value and returns for shareholders and the society at large.