北青傳媒股份有限公司

Beijing Media Corporation Limited

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

ANNUAL REPORT

2004

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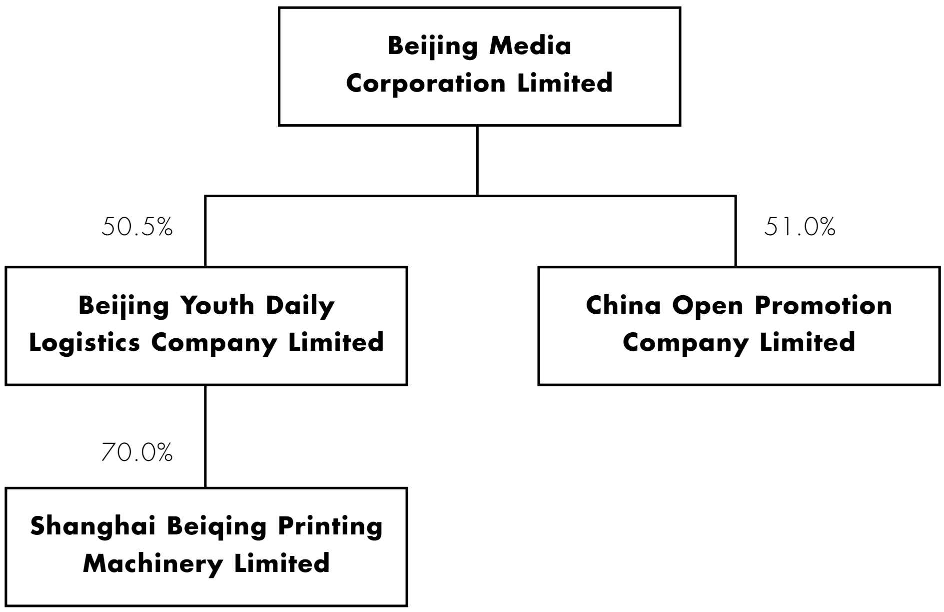
COMPANY PROFILE

Company Profile

Beijing Media Corporation Limited (the "Company", together with its subsidiaries, collectively the "Group") is one of the leading PRC media companies. The Company ranked first in Beijing and second in the PRC as at the end of 2004 in terms of advertising revenue from a single newspaper. The Company's main advertising medium is Beijing Youth Daily, which was the second largest newspaper in Beijing in terms of circulation in 2003 and ranked first among all the daily newspapers in Beijing in terms of advertising revenue in the same year. The other core business of the Group comprises the production of newspapers and trading of print-related materials and organization of large events. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") on 22 December 2004.

Company Structure



Stock Information

- Stock Code: 1000
- Board Lot: 500 shares
- Number of Shares Issued (as at 31 December 2004): 197,310,000
- Market Value (as at 31 December 2004): HK$4.4 billion
- Financial Year End: 31 December
- Bloomberg's Stock Machine Search Code: 1000 HK Equity
- Reuters Stock Machine Search Code: 1000. HK

Corporate Information

Executive Directors
ZHANG Yanping *(Chairman)*
ZHANG Yabin
SUN Wei *(President)*
HE Pingping
DU Min

Non-Executive Directors
LIU Han
XU Xun

Independent Non-Executive Directors
TSANG Hing Lun
WU Changqi
LIAO Li

Company Secretary
LAU Wing Kee

Audit Committee
TSANG Hing Lun
WU Changqi
LIU Han

Authorized Representatives
SUN Wei
DU Min

Alternate Authorized Representative
LAU Wing Kee
TSANG Hing Lun

Registered Office
Building A, No. 23 Baijiazhuang Dongli, Chaoyang District, Beijing, PRC

Principal Place of Business in Hong Kong
24/F, Prince's Building, Central, Hong Kong

Legal Adviser
On Hong Kong Law
Herbert Smith
23/F, Gloucester Tower, 11 Pedder Street, Central, Hong Kong

Auditor
PricewaterhouseCoopers
22/F, Prince's Building, Central, Hong Kong

Hong Kong Share Registrar
Computershare Hong Kong Investor Services Limited
46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong

Investor and Media Relations Consultant
iPR ASIA LTD
Room 805-809, 8/F, Alexandra House,
16-20 Chater Road, Central, Hong Kong

CHAIRMAN'S STATEMENT

Dear Shareholders,

I have great pleasure to present, on behalf of Beijing Media Corporation Limited (the "Company" together with its subsidiaries, collectively the "Group"), the first report on results of the Group subsequent to the Company's listing in Hong Kong.

2004 was an exciting year for the Group. Capitalizing on opportunities resulting from a growing Beijing media market, our business and corporate development remained on track over the year. The Group successfully completed its IPO and listed its H Shares on the Main Board of the SEHK on 22 December 2004, raising approximately HK$1.04 billion in proceeds. The Company is the first state-owed PRC media corporation to be publicly listed overseas, establishing a key milestone in the development of the Group.

We are principally engaged in the sales of advertising space, the printing and production of newspapers and the trading of print-related materials. Our principal advertising medium is the BYD Papers, including Beijing Youth Daily, the second biggest newspaper in Beijing based on circulation level in 2003.

Advertising revenue generated from the Beijing Youth Daily ranked first in Beijing and second in the PRC in 2004. Our advertising revenue in 2004 reached RMB814,127,000.

Growth in advertising revenue from Beijing Youth Daily remained the key driver of the increases in the Group's turnover and profits. In 2004, the Group's annual turnover reached RMB1,101,335,000, a 2.9% increase from 2003. Our profit attributable to shareholders in the same period reached RMB194,180,000, or a 26.8% increase from 2003. Earnings per share amounted to RMB1.31. The Board of the Company recommended a final dividend of RMB0.39 per Share.

In September 2004, the Group organised the first China Open Tennis Tournament (the "China Open") in Beijing. The tournament attracted the participation of many world-class tennis players including Marat Safin, Roger Federer and Venus Williams, and recorded an attendance of approximately 300,000 during the 17 days of the tournament. With the experience gained in organising the first China Open, the Group is confident that the China Open 2005 will be more successful. Spectator sports are attracting an increasing amount of attention in the China advertising market, and we are confident that the China Open will establish itself as another major revenue source for us.

Leveraging on the Beijing Youth Daily platform with its broad readership base, the generous support of the Beijing Municipal Government, the right to host the China Open, as well as an experienced and dedicated management team, the Group achieved commendable results and market recognition, and became one of the major media companies in the PRC. The Company will continue to focus on its current businesses as its core operations, whilst considering selective acquisitions and alliances to diversify its media business, and to sustain as well as utilize the ongoing relationship between the Group and BYD, in order to further develop the Company into a leading cross-media company in the PRC.

The outstanding performance of the Group in 2004 was the result of the devoted effort and contribution of the management team and staff of each of the business units. The quality of the management team is key to our success in the market. On behalf of the Group's shareholders and other members of the Board, I would like to take this opportunity to express my sincere gratitude to the management and staff of each of the business units, and to share with them the glory of their achievement.

Chairman
ZHANG Yanping

25 April 2005
Beijing, the PRC

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

The PRC has the world's largest population and a consumer market with great potential. According to the National Bureau of Statistics of China, the GDP of the PRC increased 9.5% in 2004 to about RMB13,650 billion compared to 2003, indicating strong growth.

The consumer market is growing rapidly and manufacturers are increasingly turning to advertising as the principal means of promoting products to increase market share and outperform their competitors. This in turn is driving growth in the media advertising market.

AC Nielson Media Research Statistics indicated that in 2004, the advertising expenditure in TV and print media in the PRC grew to RMB261.4 billion. Advertising expenditure in print media accounted for 24% of the total TV and print media advertising expenditure. The role of print media in the advertising industry is significant.

Beijing, being the political and a principal economic centre of the PRC, commends a significant strategic market position which most advertisers are enthusiastically turning to.

Business Overview

Beijing Media, which is headquartered in Beijing, is aiming at achieving and maintaining a prime position in the market economy. In the year under review, it was listed on the Main Board of the SEHK, building a solid foundation for future development.

There are three main businesses of the Group: advertising sales which contribute the largest part to the turnover of the Group; turnover from printing, which includes revenue generated from the printing of publications, which is arranged by Beijing Youth Daily Logistics Company Limited ("BYD Logistics"); and trading of print-related materials, which relates to supplying and trading of, among other things, newsprint, ink, lubricants, films, PS boards and rubber sheets to third parties, including commercial printers. In the past year, the total turnover of the Group reached RMB1,101,335,000, representing an increase of 2.9% compared to the corresponding period of 2003. Operating profit and profit attributable to shareholders increased 11.7% and 26.8% to RMB265,430,000 and RMB194,180,000 respectively.

The results of the Group improved due to the strong demand for high quality advertising medium in the advertising market and the improving operating efficiency of the Group.

Over the year, the Group continued to expand its core businesses through increased market share in the print media while seeking to further develop its cross-media platform, which included conducting research on the development of weekend publications, topic-focused magazines, television and outdoor advertising businesses. Moreover, by leveraging our established media connections in Beijing, the Group is well-suited to organise large events such as the China Open Tennis Tournament ("China Open").

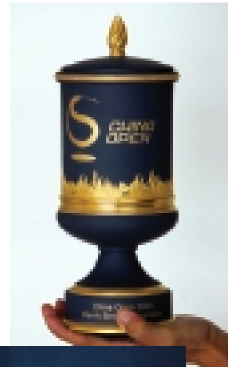
Advertising Business

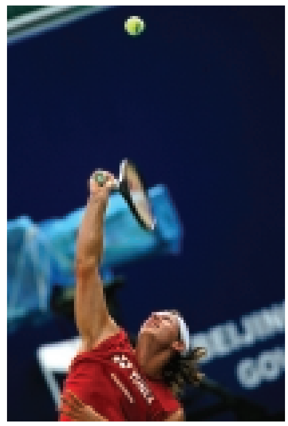
For the year ended 31 December 2004, the Group's turnover generated from advertising sales increased 3.4% to RMB814,127,000 compared to the same period of 2003, representing 73.9% of the total turnover.

The Group's revenue generated from advertising was mainly attributed to Beijing Youth Daily, a leading newspaper in Beijing. Affected by the macroeconomic austerity measures in 2004, Beijing Youth Daily's revenue from real estate advertising decreased as a result of more cautious spending in that sector. Advertising revenue generated from the real estate sector for the year was RMB376,219,000, representing a decrease of 13.1% compared with 2003.

The decrease in advertising revenue from the real estate sector did not affect the Group's total advertising revenue substantially since the Group has committed to implementing diversified advertising strategies in the past year. During the year, Beijing Youth Daily's advertising sales from the automotive sector increased significantly to RMB114,307,000, accounting for 14% of the total advertising revenue in 2004 (2003: 10.7%), representing an increase of 36% compared with 2003. As living standards improve in the PRC, the demand for automobiles is growing and automobile manufacturers and agencies have noted great potential of the PRC automobile market. We believe there is significant room for future growth in automobile advertising sales.

The advertisements published in Beijing Youth Daily are generally divided into three main categories, commercial advertisements, classified advertisements and direct mail advertisements. During the year, the Company expanded its classified advertisement sales and increased space for higher quality colour advertising in order to solicit advertisers.





Apart from Beijing Youth Daily, the Group also publishes other newspapers, including Beijing Today, Beijing Children's Weekly and Middleschool Times. The current advertising revenue from these newspapers only accounted for less than 1% of the total revenue, but we anticipate considerable growth potential in the long-run.

Events Organising

China Open Promotion Company Limited (北京中國網球公開賽體育推廣公司, "COL") has been granted by the PRC government the right to organise and market the China Open. COL, a joint venture established in 2004 by the Company solely for this event, held the first tournament successfully in 2004. The event attracted the participation of world-class tennis players such as Marat Safin, Roger Federer and Venus Williams, and recorded an attendance of approximately 300,000 persons during the 17 days of the tournament. Moreover, TV stations in approximately 54 countries and regions broadcast the China Open, including CCTV5 and more than 20 provincial and municipal TV stations in the PRC. The total television audience for the event was approximately 950,000,000 persons globally.

Trading of Print-Related Materials

The Group engages in trading of print-related materials through BYD Logistics. BYD Logistics entered into supply agreements with various printers for newsprint, ink, PS boards, lubricants and films. During the past year, the Group's turnover from trading of print-related materials amounted to RMB153,819,000.

Latest Development of Each Segment After the Listing

The Company was listed on the Main Board of the SEHK on 22 December 2004. After which, we continued to realise our commitment made to our shareholders. In connection with publications, First China Business Post (第一財經時報), which was jointly developed by BYD with Guangzhou Daily and Shanghai Media Group, was launched on 15 November, 2004. Prior to its debut, there were only a few finance papers in the PRC. Advertising sales of the newspaper are growing steadily. The Company is aware of the market potential in this sector and intends to seek agreement with BYD in due course to act as an advertising agent for First China Business Post.

The Company has commenced planning the development of weekend newspapers and a variety of topic-focused magazines such as personal wealth management and lifestyle for the purpose of establishing a larger media platform.

The Company is in the process of identifying outdoor billboard sites located along the main traffic routes in order to diversify income sources. The Group will also continue to explore the potential for undertaking the organising of large events building on its previous experience in this respect.

Liquidity and Financial Resources

In 2004, the Group's resource of funds was mainly from cash generated from operation and the proceeds from the successful listing. Bank balances and cash was RMB1,351,137,000 as at 31 December 2004 (2003: RMB460,392,000) The net proceeds from the public offering of the Group amounted to RMB889,086,000.

Non-Current Assets

As at 31 December 2004, the non-current assets of the Group amounted to approximately RMB21,849,000 (2003: RMB82,047,000) which primarily comprised fixed assets and intangible assets of approximately RMB52,217,000 (2003: RMB64,481,000) and RMB5,306,000 (2003: RMB6,133,000), respectively. Investment in jointly controlled entity amounted to approximately negative RMB37,743,000 (2003: nil) and long-term investments amounted to approximately RMB2,069,000 (2003: RMB2,069,000).

Net current assets

As at 31 December 2004, the Group's net current assets amounted to approximately RMB1,376,922,000 (2003: RMB349,444,000). Current assets mainly comprised of cash and bank balance of approximately RMB1,351,137,000 (2003: RMB460,392,000), restricted bank deposits of approximately RMB56,000,000 (2003: nil), inventory of approximately RMB54,623,000 (2003: RMB35,296,000) as well as receivables and prepayment of approximately RMB170,241,000 (2003: RMB120,710,000). Current liabilities mainly included unsecured short-term bank loans of approximately RMB10,000,000 (2003: RMB10,000,000). Payables and tax payable amounted to approximately RMB232,410,000 (2003: RMB199,694,000) and approximately RMB9,929,000 (2003: RMB44,329,000) respectively.

Debt-to-equity Ratio

The debt-to-equity ratio, defined as a percentage of net interest-bearing borrowings over shareholders' funds of the Group was 0.7% (2003: 2.5%) as at 31 December 2004.

Capital Structure

	Number of Shares	Proportion
Total Share Capital	**197,310,000**	
Shareholders of Domestic Shares	**142,409,000**	**72.18%**
BYD	124,839,974	63.27%
Beijing Zhijin Science And Technology Investment Co., Ltd.	7,367,000	3.73%
China Telecommunication Broadcast Satellite Corp.	4,263,117	2.16%
Beijing Development Area Ltd.	2,986,109	1.52%
Sino Television Co., Ltd.	2,952,800	1.50%
Current H Shares	**54,901,000**	**27.82%**
Including: MIH Print Media Holdings Limited	19,533,000	9.90%

Finance Costs

The Group's finance expenses for 2004 was approximately RMB2,894,000 (2003: RMB170,000).

Operating Expenses

The Group's operating expenses for the year was approximately RMB102,871,000, representing a decrease of 35.7% as compared with 2003. Operating expenses accounted for 9.3% of the Group's turnover in 2004 (2003: 14.9%), which mainly includes sales and distribution expenses, administration expenses and other lump sum expenses.

Use of Proceeds from Issue of H Shares

The Company raised a total net proceeds of about HK$889,086,000 from the Global Offering in 2004. The following table sets forth a breakdown of our proposed use of proceeds as disclosed in the Prospectus of the Company and the actual use of proceeds as at 31 December 2004:

Proposed Use of Proceeds	**Amounts Proposed to be Used** *(HK$)*	**Actual Amounts Used** *(HK$)*
Developing weekend newspapers	Approximately 100 million	not used
Developing a number of weekly topic-focused magazines on personal wealth management, lifestyle and cultural information	Approximately 80 million	not used
Investing in the television industry in Beijing	Approximately 250 million	not used
Acquisition of other media businesses	Approximately 275 million	not used
General working capital	Approximately 73 million	not used

Cash Flow

As at 31 December 2004, the Group maintained a stable cash flow with cash in hand of approximately RMB1,351,137,000.

Taxation

The Group's taxation expenses decreased approximately 79.8% from approximately RMB82,745,000 for the year ended 31 December 2003 to approximately RMB16,735,000 for the year ended 31 December 2004. Effective tax rate decreased from approximately 34.8% in 2003 to approximately 7.5% in 2004. The decrease in effective tax rate results primarily from the tax exemption concession granted to the Company in respect of income tax for 5 years from 1 January 2004 by the taxation authority in the PRC.

Bank Borrowings, Overdrafts and Other Borrowings

As at 31 December 2004, unsecured short-term bank loans amounted to RMB10,000,000 (2003: RMB10,000,000). The bank loans bear interest at the rate of 5.31% per annum and are repayable within one year.

Contingent Liabilities and Pledge of Assets

	As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Guarantees for bank loans of a jointly controlled entity	**72,553**	16,553

On 20 May 2004, the Company provided a loan guarantee in the amount of US$2,000,000 in favour of the lender of a US$2,000,000 bank loan to COL.

On 21 July 2004, the Company entered into a pledge agreement with China Minsheng Banking Corporation Limited, pursuant to which the Company pledged its fixed-term deposits in the sum of RMB56,000,000 as security over a loan facility in the sum of US$6,000,000, which is granted to COL by China Minsheng Banking Corporation Limited.

Management anticipate that no material liabilities will arise from the above guarantees which arose in the ordinary course of business.

Foreign Exchange Risks

Substantially all of the Group's revenues and operating costs were denominated in RMB. Proceeds from the new issue of shares in December 2004 were received in Hong Kong dollars. As such, the Group did not encounter any significant difficulties arising from, and its operating cashflow or liquidity was not subject to, any exchange rate fluctuations. The Group did not enter into any foreign exchange hedging arrangements during the year ended 31 December 2004.

Capital Expenditures

The Group's capital expenditure of approximately RMB1,802,000 for the year ended 31 December 2004 consisted of expenditure on office equipment. The Group expects capital expenditure in 2005 to primarily consist of expenditure consistent with our business strategies. Specifically, the Group expects that the capital expenditure will increase significantly in 2005 due to the significant start-up costs for the implementation of the Group's business strategies.

Staff

As at 31 December 2004, the Group employed a total of 146 staff whose remuneration and benefits are determined based on the market rates, policies of the state and individual performance.

Discontinued operations

See note 4 to the financial statements in this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

Code of Best Practice

The Board of Directors is pleased to confirm that the Company has complied with the Code of Best Practice as set out in the Listing Rules since its listing on the SEHK.

None of the Directors is aware of any information that reasonably demonstrates the non-compliance by the Company with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, currently or in any time since listing up to 31 December 2004.

Pursuant to the requirements of the Listing Rules, the Company will adopt the "Code on Corporate Governance Practices" in 2005 to enhance our ability in respect of internal governance and risk management.

Social Responsibility

As a media entity, the Company adheres to the objective of concerns for the society and participation in community activities. The Company donated HK$1 million to the Community Chest when proceeding with its listing in Hong Kong and was granted 1000 as stock code. The Company also organized activities for orphans with AIDS in Mainland China and provided appropriate assistance for them.

Audit Committee

Pursuant to the requirements of the Listing Rules, the Company has set up an audit committee to review and supervise the financial reporting process and internal control procedures of the Group and regulate the financial reporting procedures and internal controls of the Group. The Audit Committee comprises two independent non-executive Directors and one Non-executive Director. The Group's annual results for the year ended 31 December 2004 had been reviewed by the Audit Committee.

Outlook

Looking forward to 2005, we are of the belief that there will be a healthy growth in the advertising industry in the PRC. We believe the 2008 Olympic Games, which are to be held in Beijing, and the lead-up period will bring significant business opportunities as the demand for advertising promotion will increase significantly.

Furthermore, the Group will continue to seek to further diversify income sources through channels such as the China Open, new newspapers, magazines and television.

The Group's leading position in the market, business development and the encouraging financial results are all attributable to the utmost support of the Beijing Municipal Government and the dedication of our staff of various levels. The Group will continue to develop its cross-media platform based on our current solid foundation and dedicate to establishing itself as a leading cross-platform media entity in the PRC.

ZHANG Yanping, 47, is the chairman and an executive Director. He graduated in 1988 from the Renmin University of China with a bachelor's degree in journalism. Mr. Zhang completed his military service with Division No. 4 of Beijing Garrison Command (北京衛戍區警衛四師) from December 1976 to June 1980. He then joined Beijing People's Radio (北京人民廣播電臺) as a trainee from June 1980 to April 1981. He joined BYD in November 1981 and has gained 24 years of experience in the media business and has acted in a number of different positions such as a reporter, director, editing committee member, deputy chief editor, standing deputy chief editor and chief editor of BYD. Mr. Zhang is currently the president of the BYD. Mr. Zhang was appointed as a Director on 16 May 2001.

ZHANG Yabin, 48, is a vice-chairman and executive Director. Mr. Zhang is currently the chief editor of BYD. He graduated in 1982 from the Peking University with a bachelor's degree in journalism. He was a reporter and an editor of the political and legal department of Beijing Daily News Press (北京日報社) from February 1982 to June 1992. He became the deputy director of the chief editorial department of Beijing Daily News Press from July 1992 and then became the director of the external relationship department of Beijing Daily News Press starting from March 1996. In April 1999, Mr. Zhang started to serve as the chief editor of Morning Post Press (北京晨報社). He joined BYD in April 2002 as the chief editor. Mr. Zhang was appointed as a Director on 30 December 2002.

SUN Wei, 51, is the president and an executive Director. He graduated in 1994 from the China Communist Party Central School in economics and administration and studied in a course leading to a postgraduate degree in journalism in China People's University from 1966 to 1988. He joined BYD in October 1983 and has gained experience as a reporter, editor, deputy director, director, editing committee member and deputy chief editor. Mr. Sun was the executive deputy chief editor of BYD. He is currently the vice president of Beijing Youth Fictionist Association (北京青年創業者協會). Mr. Sun was appointed as a Director on 23 August 2004.

HE Pingping, 50, is an executive Director. Mr. He graduated in 1987 from Capital Normal Academy (北京師範學院) in politics and education. He was in charge of the Group Committee of Beijing Cotton Textile Dyeing Company Limited (北京棉紡織印染公司) from October 1983 to January 1985. Starting from March 1987, he became the vice president of the Advertising Division of the Committee of China Communist Youth League of Beijing Municipal (共青團北京市委宣傳部). From January 1990 to February 1991, he served as the vice president of the Beijing Youth Service Center (北京青少年服務中心). He then became the deputy chief editor and vice president of Beijing Youth Audio-visual Press (北京青少年音像出版社) in February 1991 before he joined BYD as the deputy chief editor in March 1993. He was appointed as a Director on 16 May 2001.

DU Min, 37, is an executive Director. He is currently also the executive vice president of our Company. He graduated in 1991 from Renmin University of China with a bachelor's degree in law. Mr. Du has acted in a number of different positions such as an editor, a reporter and a department head of China Business Times from July 1991 to July 1995. He became the vice president and the deputy chief editor of China Business starting from August 1995. In September 1998, he joined the America International Data Group's branch in China (美國國際數據集團中國公司) as its vice president. He then served as the vice president of Shanghai Meining Computer Software Company Limited (上海美寧計算機軟件有限公司) from July 2000 to September 2002 before becoming the general manager of our Company in December 2002. Mr. Du was appointed as a Director on 30 December 2002.

Non-executive Directors

LIU Han, 46, is a non-executive Director. Mr. Liu is currently the vice president of BYD. He graduated in 1982 from Capital Normal Academy (北京師範學院) in Chinese literature. He became a teacher of the No. 1 Secondary School of Fengtai, Beijing (北京豐台一中) from September 1982 to December 1985. Mr. Liu served as an officer of Beijing Fengtai Bureau of Education (北京豐台教育局) from December 1985 to June 1986. He joined BYD in July 1986 as a reporter, deputy head of the editorial department, and the editor-in-chief, assistant to the president and the president of Middleschool Times. Mr. Liu was appointed as a Director on 16 May 2001.

XU Xun, 49, is a non-executive Director. He graduated in 1998 from China Social Science Institute Graduate School (中國社會科學院研究生院) with a master's degree in finance. Mr. Xu served as an editor and a reporter of Capital Economic Information Daily (首都經濟信息報) from 1990 to 1993. He was the general manager of Beijing Hua Ren Advertising Company Limited (北京華人廣告公司) during 1993. He became the deputy general manager of Chinese Securities Daily (中國證券報) during the period from November 1994 to February 2000. Thereafter, he worked in Beijing Zhijin Science and Technology Investment Co. Ltd. (北京資金科技投資有限公司) as the deputy general manager from March 2000 to March 2002, and he has worked in Beijing Management Department of Yongjin Group as General Manager from March 2002 till now. Mr. Xu was appointed as a Director on 16 May 2001.

Independent Non-executive Directors

TSANG Hing Lun, 56, is an independent non-executive Director. Mr. Tsang is the CEO of Influential Consultants Ltd. He is also Fellow Members of Hong Kong Institute of Directors, the Association of Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Tsang graduated from the Chinese University of Hong Kong with a bachelor degree in business administration (1st Class Hons.) in 1973. Mr. Tsang has served in the senior management capacity in several reputable publicly listed companies operating in Hong Kong and Singapore. Mr. Tsang joined the Hang Seng Bank group in 1973 and had served in the group for 17 years. He acted as the assistant general manager of the planning and development division of Hang Seng Bank before joining the UOB Group in Singapore in 1990 as its Head of International Branches Division and First Vice President. After working in the UOB Group, Mr Tsang has also acted as an executive vice president of the Stock Exchange of Hong Kong in 1993 and an executive director of China Champ Group in 1994, as an alternate chief executive and deputy general manager of the China Construction Bank, Hong Kong Branch from 1995 to 1998. Mr Tsang has also acted as an executive director of DigiTel Group Limited, a company listed on the GEM Board of the Stock Exchange. Mr. Tsang was appointed as a Director on 12 November 2004.

WU Changqi, 50, is an independent non-executive Director. He graduated in 1982 from Shandong University (山東大學) with a bachelor's degree in economics. He obtained a master's degree in business administration and a doctoral degree in applied economics from 魯漢天主教大學 (Katholieke Universiteit Leuven) in Belgium in 1986 and 1990, respectively. He has also been a lecturer and an assistant professor in Economics of The Hong Kong University of Science and Technology respectively in 1991 and 1997. He several as the professor and the president of the Faculty of Strategic Management of the Guanghua School of Management of Peking University (starting from 2001), the president of the EMBA Centre of the Guanghua School of Management of Peking University (starting from 2002) and the associate dean of the Guanghua School of Management of Peking University (starting from 2003). Mr. Wu was appointed as a Director on 23 August 2004.

LIAO Li, 39, is an independent non-executive Director. He is currently the deputy president and the professor in finance of the School of Economics and Management of Tsinghua University. Mr. Liao graduated in 1989 from the Department of Electrical Engineering of Tsinghua University with a bachelor's degree in mechanical engineering and automation profession. He then obtained a doctorate degree in technical economic profession from the School of Economics and Management of Tsinghua University in 1995. In 1999, he graduated in the Sloan School of Management of Massachusetts Institute of Technology with a master degree of business administration. Mr. Liao was a lecturer of the School of Economics and Management of Tsinghua University from 1995 to 1997. Starting from 2001, Mr. Liao became the deputy president and the deputy professor in finance of the School of Economics and Management of Tsinghua University and became a professor in 2004. Mr. Liao was appointed as a Director on 23 August 2004.

Supervisors

LI Shiheng, 45, is a supervisor of our Company. Mr. Li is currently the vice president of BYD and the deputy secretary of the Committee of the China Communist Party. Mr. Li graduated in 1997 from the China Communist Party School in politics and law. Starting from May 1990, he became the leader and the deputy secretary of the youth league of the Committee of Fengtai District of Beijing (北京共青團豐台區青工部). He became the deputy secretary of the youth league of the Committee of Fengtai District of Beijing in May 1991. He then became the deputy leader Committee of the urban region of Beijing (北京團市委城區部) from March 1993, before he became the vice president of BYD in September 1998.

HE Daguang, 47, graduated from Shaanxi College of Finance and Economy in 1983 specialising in financial management for industrial enterprises. From 1983 to 2001, Mr. He had, amongst other positions, served as a deputy head of a division, head of a division, vice chief accountant, deputy chief accountant and executive director of China International Water and Electric Corporation. Mr. He has been the PRC chief financial officer of Phoenix Satellite Television Company Limited since 2001.

ZHU Yaoting, 64, graduated from Shanghai Marine Transportation Institute (上海海運學院) in 1963 in mathematics. He had, among other positions, served as deputy director of a division of the Financial Bureau of the Ministry of Communications, vice director of the Auditing Bureau of the Ministry of Communications, vice director of the Financial Bureau of the Ministry of Communications, director of the Financial and Accounting Bureau of the Ministry of Communications and general manager of Huajian Transportation Economic Development Center prior to his retirement. He currently serves as an independent director of CRBC International Co., Ltd. and the general vice president of the China Communications Accounting Commission.

LIU Yanfeng, 33, graduated from the Party School of the Communist Party of China in December 2003 specialising in economics and management. Mr. Liu had, amongst other positions, served as the deputy director of the laser phototypesetting office of BYD from September 1991 to April 2001. Mr. Liu currently serves as the deputy director of the laser phototypesetting centre of our Company since May 2001.

ZHOU Fumin, 34, graduated from the department of materials science and engineering of Tsinghua University in 1995 with a bachelor degree in engineering science and graduated from School of Law of Tsinghua University in 1998 with a master degree in law. Mr. Zhou is a PRC licensed securities investment analyst.

Senior Management, Qualified Accountant and Company Secretary

ZHENG Yijun, 48, is a vice president of the Company. Mr. Zheng joined the Sunshine Advertising Co. Ltd (歌華陽光廣告有限公司) of BYD in 1992 as the supervisor and became the general manager of Beijing Gehua Sunshine Advertising Co., Ltd. (北京歌華陽光廣告有限公司) since September 2000. Mr. Zheng was appointed as the vice president of the Company in September 2004. He graduated in July 1986 from Beijing Technology and Business University with a postgraduate qualifications in economics.

NIU Ming, 38, is a vice president of the Company. Mr. Niu joined the editorial department of BYD in 1989 in which he has held different positions such as a journalist, deputy director and director. Mr. Niu was re-designated as the chief editor of the editorial department of Beijing Youth Weekly of BYD in October 1998 before he was appointed as the vice president of the Company in September 2004. He graduated in July 1989 from the Division of Law of Beijing Union University with a bachelor's degree in laws and in January 2004 from Tsinghua University School of Economics and Management with a master's degree in business administration.

LAU Wing Kee, 41, is the chief financial officer and the company secretary of our Company. Mr. Lau is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lau worked for PricewaterhouseCoopers as an auditor in its Hong Kong, Beijing and Shanghai offices for approximately 10 years from 1990 to 2000. Before joining our Group, Mr. Lau was the finance director of Shanghai Ogilvy & Mather Advertising Co, Ltd. Beijing branch. Mr. Lau is the qualified accountant of our Company for the purpose of Rule 3.24 of the Listing Rules. Mr. Lau joined our Group on 1 November 2004.

SHANG Da, 43, is a secretary of the Board of Directors of the Company. Mr. Shang graduated from Capital Economic and Trade University. He joined the BYD in 1999 and served as the secretary of the Board of Directors of the Company since 28 May 2001.

YAN Mengmeng, 41, is a director of the laser phototypesetting centre of our Company. She was awarded a postgraduate certificate in business management from the Capital Economic and Trade University. From June 1983 to June 1991, she worked as a secretary of the Office of the China Electronic Press Association (中國電子新聞工作者協會) and became a secretary of the Office of the Exhibition and Design Association (展示設計協會) under the China Electronic Press Association. Starting from June 1991, she joined BYD as a coordinator of its laser phototypesetting office and was promoted to be the deputy director and the director of the laser phototypesetting office of BYD in June 1992 and March 1993, respectively. She was transferred from BYD to our Company as the head of its laser phototypesetting centre in May 2001.

YU Dagong, 51, is the head of the advertising department of our Company. He graduated in 1986 from China Journalist Association Press College (中國記協職工新聞學院) with a diploma in journalism. Mr. Yu joined BYD in April 1981 and worked as a reporter for BYD until July 1989. In May 1996, Mr. Yu worked as a reporter and the director of the advertising department of BYD. He was transferred from BYD to our Company in May 2001 as our head of the advertising department.

The Directors are pleased to present the annual report and audited financial statements for the year ended 31 December 2004.

Issue and Listing of Shares

The Company's H Shares were listed on The Stock Exchange of Hong Kong Limited 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 HK$18.95 per Share.

The highest and lowest trading price of the Company's H Shares were HK$23.75 and HK$19.35 respectively up to 31 December 2004. The trading volume and closing price as at 31 December 2004 were 635,000 H Shares and HK$22.25, respectively.

Accounts

Results of the Group for the year ended 31 December 2004 are set out in page 28 of consolidated profit and loss accounts.

Financial positions of the Group as at 31 December 2004 are set out in page 29 of the consolidated balance sheet.

Cash flows of the Group for the year ended 31 December 2004 is set out in page 32 of consolidated cash flow statement.

The Directors proposed a final dividend of RMB0.39 per ordinary share to the shareholders on the register of members on 17 May 2005, amounting to approximately RMB76,950,900.

Principal Activities

The Group is principally engaged in the selling of advertising space, production of newspapers and trading of print-related materials, and we have recently expanded in event organizing. Details of activities of the Company's principal subsidiaries are set out in note 15 to the financial statements.

Major Suppliers and Customers

For the year ended 31 December 2004, the total amount of purchases of the Group from our five largest suppliers accounted for RMB238,163,000 or 59.7% of our total purchases for the year. The amount of purchases from our largest supplier accounted for RMB398,764,000 or 19% of our purchases for the year.

For the year ended 31 December 2004, the total amount of sales of the Group to our five largest customers accounted for RMB52,822,000 or 4.8% of our total sales for the year. The amount of sales to our largest customer accounted for RMB23,075,000 or 2.1% of our total sales for the year.

As far as the Directors are aware, none of the Directors, their associates and shareholders who are interested in more than 5% of our share capital has any interest in our five largest suppliers.

REPORT OF THE BOARD OF DIRECTORS

Subsidiary and jointly controlled entity

As at 31 December 2004, the Company had a subsidiary, namely Beijing Youth Daily Logistics Company Limited and a jointly controlled entity, namely China Open Promotion Company Limited.

For details of principal subsidiaries and jointly controlled entity of the Company, please refer to note 15 to financial statements in this annual report.

Profit Distributions

For details of the profit distribution, please refer to note 26 to the financial statements in this annual report.

Reserves

The movements in reserves during the year are set out in note 26 to the financial statements for the year.

Distributable Reserves

For details of the distributable reserves, please refer to note 26 of the financial statements in this annual report.

Properties and Equipment

The movements in properties and equipment are set out in note 14 to the financial statements for the year.

Share Capital, Share Capital Structure and Number of Shareholders

As at 31 December 2004, the total number of shares issued by the Company was 197,310,000 Shares. The shareholders of the Company include BYD, Beijing Zhijin Science and Technology Investment Company Limited, China Telecommunication Broadcast Satellite Corporation, Beijing Development Area Limited, Sino Television Company Limited and public shareholder of H Shares, holding 124,839,974 Shares, 7,367,000 Shares, 4,263,117 Shares, 2,986,109 Shares, 2,952,800 Shares and 54,901,000 H Shares respectively, representing 63.27%, 3.73%, 2.16%, 1.52%, 1.50%, and 27.82%, respectively, of the Company's entire share capital.

Class of Shares Held	**Number of issued Shares**	**Percentage**	**Number of shareholders***
Domestic Shares	142,409,000	72.18%	5
Foreign Shares (comprising H Shares)	54,901,000	27.82%	702
Total	**197,310,000**	**100%**	**707**

* *According to the records in our Register of shareholders as at 31 December 2004.*

The movements of the Company's share capital are set out in note 25 to the financial statements for the year.

Interests of Principal Shareholders in Shares and Underlying Shares

As at 31 December 2004, shareholders holding 5% or more of our issued Share Capital, as recorded in the register of shareholder's interest in Shares required to be maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance ("SFO"), are listed as follows:

Name	Number of Shares	Percentage of Share Capital
BYD	124,839,974 (Domestic Shares)	63.27%
MIH Print Media Holdings Limited	19,533,000 (H Shares)	9.9%

Save as disclosed above, no person has registered to hold interests or short positions of our Shares or Underlying Shares which would fall to be recorded in the register under Section 336 of the SFO.

Ultimate Holding Shareholder

BYD is the Ultimate Holdings Limited of the Company, following the completion of the Global offering, taking into account of exercise of the Over-allotment, BYD is interested in 63.27% of the Company's equity.

Directors

During the year and since the date of this report, the name of Directors of the Company and their respective date of appointment are listed as follows:

Executive Directors	**Date of Appointment**
ZHANG Yanping	16 May 2001
ZHANG Yabin	30 December 2002
SUN Wei	23 August 2004
HE Pingping	16 May 2001
DU Min	30 December 2002
Non-executive Directors	
LIU Han	16 May 2001
XU Xun	16 May 2001
Independent Non-executive Directors	
TSANG Hing Lun	12 November 2004
WU Changqi	23 August 2004
LIAO Li	23 August 2004

Directors' and Supervisors' Service Contracts

Each of the Directors and Supervisors has entered into service contracts with the Company. Such contracts were entered into on 4 December 2004 for terms of three years.

No Director or Supervisor has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' and Supervisors' Interests in Shares and Underlying Shares

As at 31 December 2004, neither of the Directors, Supervisors nor their respective associates had interests in Shares or debts securities of the Company or any associated corporations which would fall to be notified to the Company and the Stock Exchange under Section 352 of SFO or shall be recorded in the register required under the Section, or interests that fall to be disclosed to the Company and the Stock Exchange under the Model Code of Securities Transactions by Directors of Listed Companies.

Directors' and Supervisors' Interest in Contracts

As at the balance sheet date of the year or any time during the year, neither the Company nor its subsidiaries was a party in any contracts of significance to the business of the Company in which Directors or Supervisors had material interests.

Directors' and Supervisors' Benefits in Acquiring Shares or Debts

As at the balance sheet date of the year or any time during the year, neither the Company or its subsidiaries was a party to any arrangement in which Directors or Supervisors may acquire Shares or debentures of the Company or any other companies.

Emoluments of Directors and Supervisors

Details of the emoluments of Directors and Supervisors are set out in note 12 of the financial statements.

Purchase, Sale and Redemption of the Listed Securities of the Company

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the year.

Pre-emptive Right

There is no provisions for pre-emptive rights under the PRC law and the Company's 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

Details of the borrowings of the Company and its subsidiaries are set out in note 24 and 27 to the financial statements in this annual report.

Connected Transactions

Connected transactions of the Group during the year are listed as follows:

Transactions

1 Sharing of administrative services and offices agreement (the "Shared Services Agreement")

On 7 December 2004, the Company and BYD entered into an agreement for the sharing of administrative services, offices and human resources. Under this agreement, the Company and BYD agreed to share the costs of administrative services provided by third parties regarding the Beijing Youth Daily Agency Mansion located in Beijing, PRC, where the Company's offices are situated. The fees incurred by the Company under the Shared Services Agreement and any other agreement entered into pursuant to it shall be calculated on a cost reimbursement basis by reference to the floor area the Company owns compared to the total floor area of the Beijing Youth Daily Agency Mansion. During the year ended 31 December 2004, the annual aggregate amount of the above administration transactions was approximately RMB759,098.

2 Varnishes supply agreement

On 22 March 2002, BYD Logistics and Shanghai Shenglin Printing Machinery Limited, a substantial shareholder of one of our subsidiaries, Shanghai Beiqing Printing Machinery Limited, entered into an agreement pursuant to which Shanghai Shenglin Printing Machinery Limited agreed to supply to BYD Logistics varnishes for pressing. Under the agreement, BYD Logistics was appointed as the exclusive distributor of the varnishes in the Beijing region and for the printing houses of the Beijing Youth Daily.

For the year ended 31 December 2004, the aggregate annual consideration paid by BYD Logistics to Shanghai Shenglin Printing Machinery Limited was approximately RMB971,393.

3 Today YangGuang advertising agreement

On 8 December 2004, the Company and Today Sunshine Advertising Co., Ltd ("Today YangGuang") entered into an advertising sales agreement pursuant to which the Company agreed to sell advertising space in the Beijing Youth Daily to Today YangGuang.

Pursuant to the Today YangGuang advertising agreement, the Company or any of its subsidiaries may only accept the booking of advertising space by Today YangGuang on the basis that the fees payable under the Today YangGuang advertising agreement are settled on normal commercial terms, that being on terms which a party could obtain if the transaction were on an arm's length basis or on terms no less favourable to the Company than terms available to or from independent third parties.

During the year ended 31 December 2004, sales fees paid by Today YangGuang to the Company were approximately RMB2,243,950.

4 Tenancy agreement

On 1 August 2004, the Company and BYD entered into a tenancy agreement (the "Tenancy Agreement") pursuant to which BYD leased from the Company various office premises in the Beijing Youth Daily Agency Mansion amounting to a total floor area of 2,086m^2. The duration of the Tenancy Agreement is three years ending on 31 July 2007. Upon the expiry of the Tenancy Agreement, BYD has the right to extend the tenancy of the office premises by giving two months' written notice to the Company before the expiry date. The annual rental payable by BYD under the Tenancy Agreement throughout the tenancy will be RMB3,426,255. The annual rental is calculated based on RMB4.50 per m^2 per day. The rental paid by BYD to the Company for the year ended 31 December 2004 was approximately RMB1,513,000.

5 Advertising Business Agreement

On 7 December 2004, an advertisement business and call option agreement (the "Advertising Business Agreement") was entered into between the Company and BYD, pursuant to which BYD has agreed to grant an exclusive right to the Company to operate the Advertising Business in respect of the Beijing Youth Daily, including editions on other media such as the Internet.

Under the Advertising Business Agreement, we were granted the exclusive right to operate the Advertisement Business in respect of the BYD Papers for a duration of 30 years from 1 October 2004 to 30 September 2033, which duration will automatically be extended upon expiry. The right granted includes the right to sell all of the advertising space in the Beijing Youth Daily, and the Company is entitled to all revenue derived from such sales. In consideration, we will (a) be responsible for the printing, including printing costs and the choice of newsprint, of the Beijing Youth Daily, (b) pay BYD a fee representing 16.5% of the total advertising revenue generated from the Beijing Youth Daily or such figure or formula as the parties may agree in the future and (c) allocate up to 360 pages per year of advertising space in respect of each of the BYD Papers to BYD for publicity announcements and notices (provided that the advertising space allocated will not exceed 9% of the total advertising space of each paper per issue), for which no fee will be payable.

The aggregate fees paid by the Company under the Advertising Business Agreement for the year ended 31 December 2004 was approximately RMB141,000,786.

6 Gehua YangGuang advertising agreement

On 8 December 2004, the Company and Beijing Gehua Sunshine Advertising Co., Ltd. ("Gehua YangGuang") entered into an advertising sales agreement pursuant to which the Company agreed to sell advertising space in the Beijing Youth Daily to Gehua YangGuang.

Pursuant to the Gehua YangGuang advertising agreement, the Company or any of its subsidiaries may only accept the booking of advertising space by Gehua YangGuang on the basis that the fees payable under the Gehua YangGuang advertising agreement are settled on normal commercial terms, being terms which a party could obtain if the transaction were on an arm's length basis or on terms no less favourable to us than terms available to or from independent third parties.

During the year ended on 31 December 2004, sales fees paid by Gehua YangGuang to the Company were approximately RMB26,841,992.

7 Printing agreement in respect of 北京科技報 (Beijing Sci-Tech Report), 中學生科學報 (Middleschool Science Post) and 法制晚報 (Legal Evening Post)

On 7 December 2004, BYD and BYD Logistics entered into a printing agreement pursuant to which BYD Logistics agreed to provide printing services in respect of 北京科技報 (Beijing Sci-Tech Report), 中學生科學報 (Middleschool Science Post) and 法制晚報 (Legal Evening Post) and other newspaper and magazines of BYD which may be introduced by BYD. However, the terms of the printing agreement shall not be applicable to the Beijing Youth Daily. Under this agreement, BYD Logistics is responsible for the printing of the three newspapers and the provision of paper for the printing. The printing fee charged by the Company will be based on the actual volume of the newsprint printed and the quality of the printing and the paper. The quality of printing and paper will be pre-agreed between the parties. The agreement is due to expire on 31 December 2006.

The aggregate printing fees on an annual basis received by the Company under the printing agreement for the year ended on 31 December 2004, was approximately RMB31,397,000.

The Independent non-executive Directors have reviewed and confirmed that the above transactions:

(1) were in the usual and ordinary course of business of the Group;

(2) were entered into, if there were comparable transactions, on normal commercial terms, or, if there were no comparable transactions to determine whether such transactions were on normal commercial terms, on terms no less favourable to the terms provided by independent third parties to the Company or by the Company to independent third parties (if applicable); and

(3) were on arrangements regulating transactions and on terms fair and reasonable and in the interests of the independent shareholders of the Company as a whole; and that the aggregate amount of each transaction described above has not exceeded the relevant cap amount for each transaction as set out in the conditional waivers granted by The Stock Exchange of Hong Kong Limited.

Our Auditors have reviewed the above transactions, and confirmed to the Board of Directors in writing, that the above transactions:

(1) were approved by the Board;

(2) were entered into on terms that regulate relevant agreements of such transactions;

(3) complied with the pricing policy as set out in the accounts of the Company; and

(4) did not exceed the respective caps applicable to each transaction.

Material Litigation

The Company was not involved in any material litigation during the year.

REPORT OF THE BOARD OF DIRECTORS

Retirement Scheme

Details of the retirement scheme are set out in note 11 to the financial statements in this annual report.

Audit Committee

Pursuant to the requirements of the Listing Rules, the Company has set up an audit committee to review and supervise the financial reporting process and internal control procedures of the Group and regulate the financial reporting procedures and internal controls of the Group. The Audit Committee comprises two independent non-executive Directors and one Non-executive Director. The Group's annual results for the year ended 31 December 2004 had been reviewed by the Audit Committee.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is a public float of more than 25% of the Company's issued shares as required under the Listing Rules.

Corporate Governance

The Company has complied since its listing on the SEHK with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules except that the independent non-executive Directors were not appointed for specific terms as required by paragraph 7 of the Code but are subject to retirement by rotation in accordance with the articles of association of the Company.

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors have confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received from each of the independent non-executive Directors an annual written confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

Auditors

The financial statements for the year of 2004 of the Company prepared in accordance with accounting principles generally accepted in Hong Kong were audited by PricewaterhouseCoopers, the Company's International auditor. A resolution for the continuous appointment of PricewaterhouseCoopers to be the international auditor will be proposed in the Annual General Meeting of Shareholder.

By order of the Board
ZHANG Yanping
Chairman of the Board of Director

25 April 2005
Beijing, China

The current cabinet of the Supervisory Committee ("Supervisory Committee") has, through co-operating with the Board and the operating sectors, performed the obligation under the resolution of the Annual General Meeting, protected the integrity of assets and the financial condition of the Company, protected the interest of the Company and the shareholders, with the target of maximizing shareholders' interest and achieving the secure and sustainable development of the Company.

Principal Duties of the Supervisory Committee for the Year 2004

The overall results and the operation indicators of the Company improved in 2004. The Company was listed in Hong Kong on 22 December 2004. The Supervisory Committee maintained its continuous effort on the improvement of the corporate governance structure, operational transparency as well as the level of compliance of the Company. The Supervisory Committee duly reminded the management of the Company to establish a positive image in the capital market, and implemented measures to safeguard the interests of investors, especially investors with medium and small-size investments.

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

The Supervisory Committee supervised the Company's operating activities. The Supervisory Committee considers that the Company has established a comparatively comprehensive internal governance system, and is continuously improving in respect of the establishment and implementation of internal workflow, which effectively controls various risks in the Company's operations. The Company operates in compliance with the laws and regulations of the PRC and the Articles of Association and workflows of the Company.

The Supervisory Committee supervised the due diligence of Directors and the management, as well as the implementation of resolutions of the Annual General Meeting. The Supervisory Committee considers that the Directors, and controlling shareholder have acted according to the resolutions of the Annual General Meeting to duly perform their obligations to achieve operational targets. The Supervisory Committee is not aware of any violations of laws, regulations, the Articles of Association of the Company or impairment to the interests of shareholders by the Directors and other senior management in performing their duties.

The Supervisory Committee has reviewed the projects earmarked for the use of listing proceeds of the Company after listing. The Supervisory Committee considers that, up to the latest practicable date, the progress in utilisation of funds for such projects has been reasonable and compliant with the prospectus of the Company issued on 13 December 2004.

The Supervisory Committee reviewed the operating activities such as mergers and acquisitions and the disposal of assets of the Company. The Supervisory Committee considers that transaction amounts of the mergers and acquisitions, disposals of assets of the Company were fair and reasonable, did not reveal any insider dealing or acts harmful to the rights of shareholders, especially interests of independent shareholders.

The Supervisory Committee supervised the connected transactions of the Company. The Supervisory Committee considers that terms on which the connected transactions were conducted are fair and reasonable, and did not find any evidence of acts harmful to the interests of the Company and shareholders.

As a whole, the current Board of Directors 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 in the Annual General Meeting. In the coming year, the Supervisory Committee will continue the strict performance of obligation, to ensure the maximum protection of the interest of the Company and its Shareholders.

Beijing Media Corporation Limited
Supervisory Committee

25 April 2005
Beijing, China

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Auditors' Report to the Shareholders of
Beijing Media Corporation Limited
(a joint stock company incorporated in the
People's Republic of China with limited liability)

We have audited the financial statements on page 28 to 73 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 April 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

	Note	**2004 RMB'000**	2003 RMB'000
Turnover	3	**1,101,335**	1,070,198
Cost of sales		**(759,088)**	(676,015)
Gross profit		**342,247**	394,183
Other revenues	3	**29,264**	3,402
Selling and distribution expenses		**(56,872)**	(92,280)
Administrative expenses		**(45,250)**	(50,258)
Other operating expenses		**(749)**	(17,412)
Loss on sale of discontinued operations	4	**(3,210)**	–
Operating profit	5	**265,430**	237,635
Finance costs	6	**(2,894)**	(170)
Share of profits and losses of			
A jointly controlled entity		**(40,293)**	–
Associated companies		**40**	274
Profit before taxation		**222,283**	237,739
Taxation	7	**(16,735)**	(82,745)
Profit after taxation		**205,548**	154,994
Minority interests		**(11,368)**	(1,824)
Profit attributable to shareholders		**194,180**	153,170
Dividends	9	**(171,535)**	–
Earnings per share, basic *(RMB)*	10	**1.31**	1.04

CONSOLIDATED BALANCE SHEET

As at 31 December 2004

	Note	2004 RMB'000	2003 RMB'000
Non-current assets			
Intangible asset	13	**5,306**	6,133
Fixed assets	14	**52,217**	64,481
Investment in a jointly controlled entity	15(b)	**(37,743)**	–
Investments in associated companies	15(c)	**–**	4,866
Long-term investment	15(d)	**2,069**	2,069
Deferred tax asset	28	**–**	4,498
		21,849	82,047
Current assets			
Inventories	16	**54,623**	35,296
Trade receivables	17	**83,999**	35,747
Other receivables, prepayment and deposits	18	**86,242**	84,963
Restricted bank deposits	19	**56,000**	–
Bank balances and cash	20	**1,351,137**	460,392
		1,632,001	616,398
Current liabilities			
Trade payables	21	**54,833**	55,632
Other payables and accruals	22	**177,577**	144,062
Taxation payable	23	**9,929**	44,329
Short-term bank loans	24	**10,000**	10,000
Current portion of long-term liabilities	27	**2,740**	12,931
		255,079	266,954
Net current assets		**1,376,922**	349,444
Total assets less current liabilities		**1,398,771**	431,491
Financed by:			
Share capital	25	**197,310**	101,260
Reserves	26	**1,009,546**	66,229
Retained earnings	26	**159,701**	230,200
Shareholders' funds		**1,366,557**	397,689
Minority interests		**26,934**	26,286
Non-current liabilities			
Long-term liabilities	27	**5,280**	7,516
		1,398,771	431,491

Approved by the Board of Directors on 23 April 2005.

Zhang Yanping
Chairman

Sun Wei
Director

BALANCE SHEET

As at 31 December 2004

	Note	**2004** **RMB'000**	2003 RMB'000
Non-current assets			
Intangible asset	13	**5,306**	6,133
Fixed assets	14	**50,788**	53,876
Investments in subsidiaries	15(a)	**15,150**	32,558
Investment in a jointly controlled entity	15(b)	**2,550**	–
Deferred tax asset	28	**–**	4,498
		73,794	97,065
Current assets			
Trade receivables	17	**57,696**	16,103
Other receivables, prepayment and deposits	18	**84,258**	75,456
Restricted bank deposits	19	**56,000**	–
Bank balances and cash	20	**1,342,191**	368,727
		1,540,145	460,286
Current liabilities			
Trade payables	21	**48,733**	58,610
Other payables and accruals	22	**156,285**	46,729
Taxation payable	23	**4,742**	35,403
Current portion of long-term liabilities	27	**2,740**	12,931
		212,500	153,673
Net current assets		**1,327,316**	306,613
Total assets less current liabilities		**1,401,439**	403,678
Financed by:			
Share capital	25	**197,310**	101,260
Reserves	26	**1,007,316**	63,535
Retained earnings	26	**191,533**	231,367
Shareholders' funds		**1,396,159**	396,162
Non-current liabilities			
Long-term liabilities	27	**5,280**	7,516
		1,401,439	403,678

Approved by the Board of Directors on 23 April 2005

Zhang Yanping
Chairman

Sun Wei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2004

	Note	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2003		101,260	–	16,974	17,503	108,782	244,519
Profit attributable to shareholders		–	–	–	–	153,170	153,170
Appropriation to statutory reserves	26	–	–	15,715	16,037	(31,752)	–
As at 31 December 2003		101,260	–	32,689	33,540	230,200	397,689
Dividends	9	–	–	–	–	(171,535)	(171,535)
Transfer to share capital	25	46,140	–	–	–	(46,140)	–
Issue of shares	25	49,910	896,313	–	–	–	946,223
Profit attributable to shareholders		–	–	–	–	194,180	194,180
Appropriation to statutory reserves	26	–	–	24,299	22,705	(47,004)	–
As at 31 December 2004		**197,310**	**896,313**	**56,988**	**56,245**	**159,701**	**1,366,557**
Company and subsidiaries		197,310	896,313	56,988	56,245	199,994	1,406,850
Jointly controlled entity		–	–	–	–	(40,293)	(40,293)
Balance at 31 December 2004		**197,310**	**896,313**	**56,988**	**56,245**	**159,701**	**1,366,557**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	Note	2004 RMB'000	2003 RMB'000
Operating activities			
Net cash inflow from operations	29(a)	**163,052**	267,141
Interest paid		**(543)**	(170)
PRC enterprise income tax paid		**(37,501)**	(104,990)
Net cash inflow from operating activities		**125,008**	161,981
Investing activities			
Purchase of fixed asses		**(1,802)**	(2,652)
Proceeds from disposal of fixed assets		**11**	2
Sales of discontinued operation net of cash paid	4	**(41,717)**	–
Interests income received		**5,010**	3,369
Dividends received from investments		**–**	275
Increase in long-term investment		**(2,550)**	(4,406)
Increase in restricted bank deposits		**(56,000)**	–
Decrease/(Increase) in short-term bank deposits		**2,070**	(45,100)
Net cash outflow from investing activities		**(94,978)**	(48,512)
Net cash inflow before financing		**30,030**	113,469
Financing activities	29(b)		
Gross proceeds from initial public offering		**954,490**	–
Gross proceeds received on behalf of the Selling Shareholders		**94,536**	–
Initial public offering expenses paid		**(42,560)**	–
Proceeds from borrowings		**–**	10,000
Dividends paid to shareholders		**(141,535)**	(18,627)
Dividends paid to minority shareholders		**(2,146)**	(728)
Net cash inflow/(outflow) from financing		**862,785**	(9,355)
Increase in cash and cash equivalents		**892,815**	104,114
Cash and cash equivalents as at 1 January	20	**415,292**	311,178
Cash and cash equivalents as at 31 December	20	**1,308,107**	415,292

1. ORGANISATION AND PRINCIPAL ACTIVITIES

The Company was incorporated in the People's Republic of China ("PRC") on 28th May 2001 as a joint stock company with limited liability under the PRC Company Law. The initial registered capital of the Company was RMB147,400,000 consisting of 147,400,000 Shares of per value of RMB1.00 per share. The Company and its subsidiaries are hereinafter referred to as the "Group".

The Group is principally engaged in the provision of newspaper advertising services, printing, distribution of newspapers and magazines and trading of print-related materials in the PRC. In 2004, the Company disposed of the businesses of newspapers and magazines distribution and web transmission technology. Please refer to Note 4 for the details of disposal.

In December 2004, the Company completed its global initial public offering ("Global offering"). 49,910,000 new H shares were issued by the Company. 4,991,000 shares were sold by three shareholders, namely Beijing Youth Daily Newspaper Agency (the "Ultimate Holding Company"), China Telecommunication Broadcast Satellite Corp. and Beijing Development Area Ltd. (hereinafter collectively referred to as the "Selling Shareholders").

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements set out in this report have been prepared in accordance with accounting principles generally accepted in Hong Kong ("HK GAAP") and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements have been prepared under the historical cost convention, as modified by the trade receivables at fair value through profit and loss account.

The HKICPA has issued a number of new or revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs"), which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs, but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Group accounting

(i) Subsidiaries

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(i) Subsidiaries (Continued)

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss accounts and any related accumulated foreign currency translation reserve.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Jointly controlled entity

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of a jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in a jointly controlled entity reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the jointly controlled entity.

In the Company's balance sheet, the investments in a jointly controlled entity are stated at cost less provision for impairment losses. The results of a jointly controlled entity are accounted for by the Company on the basis of dividends received and receivable.

(iii) Associated companies

An associated company is a company, not being a subsidiary or a jointly controlled entity, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company entity reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated companies.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(iv) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries, jointly controlled entity and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences arising from the translation of the net investment in subsidiaries, jointly controlled entity and associated companies and of intra-group balances of equity nature are dealt with as a movement in reserves.

(c) Intangible asset – Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net assets acquired at the date of acquisition.

Goodwill on acquisitions is included in intangible asset and is amortised using the straight-line method over a period of 10 years.

Any impairment arising on goodwill is accounted for in the profit and loss account.

(d) Fixed assets

(i) Fixed assets

Fixed assets, comprising buildings (including land use rights), office equipment and motor vehicles, are stated at cost less accumulated depreciation and accumulated impairment losses. The term of the land use rights is 42 years.

(ii) Depreciation

Fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings (including land use rights)	20 – 30 years
Office equipment	5 – 6 years
Motor vehicles	5 – 6 years

Improvements are capitalised and depreciated over their expected useful lives to the Group.

(iii) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any of such indication exists, the recoverable amount of the fixed asset is estimated and where relevant, an impairment loss is recognised to reduce the fixed asset to its recoverable amount. Such impairment losses are recognised in the consolidated profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated profit and loss account.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

Assets leased out under operating leases are included in fixed assets in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned fixed assets. Rental income (net of any incentives given to leases) is recognised on a straight-line basis over the lease terms.

(f) Long-term investments

Long-term investments are equity investments held for strategic purposes and are stated at cost less any provision for impairment losses. The carrying amounts of individual investments are reviewed by the directors at each balance sheet date to assess whether the fair values have declined below the carrying amounts. For declines other than of temporary nature, the carrying amounts of such investments are reduced to their fair values. The impairment loss is recognised as an expense in the profit and loss accounts. This impairment loss is written back to profit and loss accounts when the circumstances and events that led to the write-down cease to exist and there is persuasive evidence that the new circumstances and events will persists for the foreseeable future.

(g) Inventories

Inventories comprise raw materials are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises the actual purchase price plus any prescribed taxes, transportation, handling, insurance incurred in the acquisition of inventories. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

(i) Bank balances and cash

Bank balances and cash comprise cash and cash equivalents, short-term bank deposit and restricted bank balances and are carried in the balance sheet at cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

Short-term bank deposits are cash invested in fixed-term deposits with original maturities ranging from more than 3 months to 1 year.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Employee benefits

(i) Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal governments in the PRC. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees payable under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(ii) Social security

In addition to pension benefits, the full-time employees of the companies within the Group are also entitled to staff welfare benefits, including housing benefits, medical care, welfare subsidies and unemployment insurance, and etc. The companies are required to accrue for these benefits based on certain percentage of the employees' salaries in accordance with the relevant regulations. The Group's liability in respect of these employee benefits is limited to the contributions payable in each period.

(k) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and a jointly controlled entity, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Revenue recognition

Revenue comprised the fair value for the sale of goods and services, net of related tax, rebates and discounts and after elimination of sales within the Group. The fair value is determined by discounting all future receipts using an imputed rate of interest. Revenue are recognised as follows:

(i) Revenue from advertising contracts, net of business tax and advertising education fee if any are generally recognised rateably over the period in which the advertisement is displayed.

(ii) Revenue from distribution of newspapers and magazines and trading of print-related materials are recognised on 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.

(iii) Revenue from printing is recognised when the service is provided.

(iv) A government grant is recognised when there is a reasonable assurance that the Group will comply with the conditions attaching with it and that the grant will be received.

(v) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(vi) Revenue from operating lease is recognised on a straight-line basis over the period of the lease.

(n) Related parties

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Related parties may be individuals or corporate entities.

(o) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format.

Unallocated costs represent expenses incurred for non-operating activities. Segment assets consist primarily of intangible asset, fixed assets, inventories, receivables and operating cash and mainly exclude investments and deferred tax assets. Segment liabilities comprise operating liabilities. Capital expenditure mainly comprises additions to fixed assets and investments.

(p) Borrowing cost

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

3. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of newspaper advertising services, printing, distribution of newspapers and magazines and trading of print-related materials in the PRC. In 2004, the Company disposed of the businesses of newspapers and magazines distribution and web transmission technology. Please refer to Note 4 for the details of disposal. Revenues recognised during the year are as follows:

(a) Turnover and other revenues

	Year ended 31 December	
	2004	2003
	RMB'000	*RMB'000*
Turnover		
Advertising	**814,127**	787,380
Printing	**36,216**	5,062
Distribution	**69,880**	103,828
Trading of print-related materials	**153,819**	161,271
Others	**27,293**	12,657
	1,101,335	1,070,198
Other revenues		
Government grant[1]	**21,500**	–
Interest income	**6,211**	3,369
Rental income	**1,513**	–
Others	**40**	33
	29,264	3,402
Total revenues	**1,130,599**	1,073,600

Note (1): The amount represented the government grant to the Company in connection with the 2004 China Open Tennis Tournament.

(b) Segment information

Primary reporting format – business segments

The Group is organised into four main business segments:

Advertising	– Sales of the advertising spaces in the newspapers published by the Ultimate Holding Company.
Printing	– Provision of printing service.
Distribution	– Distribution of newspapers and magazines mainly published by the Ultimate Holding Company, this business has been disposed of. Please refer to Note 4 for the details of disposal.
Trading of print-related materials	– Sales of paper, ink, lubricants, films, PS boards and rubber sheets for printing and other print-related materials.
Others	– Provision of information and web transmission technology services which has been disposed of and others. Please refer to Note 4 for the details of disposal.

The Group's inter-segment transactions mainly consist of provision of printing and promotion services. These transactions were entered into on similar terms as those contracted with third parties.

3. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

	Year ended 31 December 2004					
	Advertising *RMB'000*	**Printing** *RMB'000*	**Distribution** *RMB'000*	**Trading of print-related materials** *RMB'000*	**Others** *RMB'000*	**Group** *RMB'000*
Turnover (including inter-segment)	**814,127**	**403,338**	**81,898**	**153,819**	**27,293**	**1,480,475**
Less: Inter-segment sales	**-**	**(367,122)**	**(12,018)**	**-**	**-**	**(379,140)**
Turnover to external customers	**814,127**	**36,216**	**69,880**	**153,819**	**27,293**	**1,101,335**
Segment results	**185,517**	**18,940**	**21,093**	**9,988**	**4,587**	**240,125**
Government grant	–	–	–	–	**21,500**	**21,500**
Unallocated income						**7,764**
Unallocated costs						**(749)**
Loss on sale of discontinued operations						**(3,210)**
Operating profit						**265,430**
Finance costs						**(2,894)**
Share of losses of a jointly controlled entity	–	–	–	–	**(40,293)**	**(40,293)**
Share of profits and losses of associated companies	–	–	–	–	**40**	**40**
Profit before taxation						**222,283**
Taxation						**(16,735)**
Profit after taxation						**205,548**
Minority interests						**(11,368)**
Profit attributable to shareholders						**194,180**
Capital expenditure	**996**	**69**	**229**	**34**	**474**	**1,802**
Depreciation	**4,099**	**467**	**1,726**	**230**	**328**	**6,850**
Amortisation charge	**827**	**-**	**-**	**-**	**-**	**827**
Other non-cash (income)/expense	**(10)**	**-**	**46**	**-**	**-**	**36**
As at 31 December 2004						
Segment assets	**1,595,524**	**53,251**	**-**	**40,749**	**-**	**1,689,524**
Interests in a jointly controlled entity	**-**	**-**	**-**	**-**	**(37,743)**	**(37,743)**
Long-term investment	**-**	**-**	**-**	**2,069**	**-**	**2,069**
Total assets						**1,653,850**
Segment liabilities	**184,799**	**51,940**	**-**	**23,620**	**-**	**260,359**

3. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Year ended 31 December 2003

	Advertising *RMB'000*	Printing *RMB'000*	Distribution *RMB'000*	Trading of print-related materials *RMB'000*	Others *RMB'000*	Group *RMB'000*
Turnover (including inter-segment)	787,380	329,816	145,324	161,271	12,657	1,436,448
Less: Inter-segment sales	–	(324,754)	(41,496)	–	–	(366,250)
Turnover to external customers	787,380	5,062	103,828	161,271	12,657	1,070,198
Segment results	169,397	14,485	62,154	3,752	1,857	251,645
Unallocated income						3,402
Unallocated costs						(17,412)
Operating profit						237,635
Finance costs						(170)
Share of profits and losses of associated companies	–	–	–	–	274	274
Profit before taxation						237,739
Taxation						(82,745)
Profit after taxation						154,994
Minority interests						(1,824)
Profit attributable to shareholders						153,170
Capital expenditure	648	57	1,562	2,092	362	4,721
Depreciation	4,351	484	2,451	195	400	7,881
Amortisation charge	827	–	–	–	–	827
Other non-cash expenses	10	–	–	–	–	10
As at 31 December 2003						
Segment assets	520,888	35,111	100,979	27,951	6,581	691,510
Interests in associated companies	–	–	–	–	4,866	4,866
Long-term investment	–	–	–	2,069	–	2,069
Total assets						698,445
Segment liabilities	122,450	47,802	83,036	19,230	1,952	274,470

The Group operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are located in the PRC. Accordingly, no geographical segment data are presented.

4. Sale of Discontinued Operations

On 26 July 2004, the Company's board of directors approved a detailed formal plan to dispose of the businesses of newspapers and magazines distribution and web transmission technology.

The Company and XiaoHongMao Corporation entered into an agreement in respect of the transfer of the entire equity interests in Beijing XiaoHongMao Newspaper and Periodicals Distribution Services Co., Ltd. ("Little Red Cap") of the Company to XiaoHongMao Corporation at a cash consideration of RMB13,798,000. Moreover, the Company and the Ultimate Holding Company entered into an agreement in respect of the transfer of the entire interests in Media Online, Beijing Youth Daily ("BYD Net") of the Company to the Ultimate Holding Company at a cash consideration of RMB2,622,000.

Based on the advertising business agreement entered into between the Company and the Ultimate Holding Company on 7 December 2004, the Company no longer enjoys the distribution revenue sharing with Little Red Cap and no longer pays the promotion expenses to Little Red Cap. Instead, the Company will pay of the advertising revenue in respect of the Beijing Youth Daily, Beijing Children's Weekly, Middleschool Times and Beijing Today (the "BYD Papers") to the Ultimate Holding Company from 1 October 2004 to 30 September 2033.

The sale of the above discontinued operations became effective on 31 August 2004 after all the conditions to the sale were satisfied, all cash proceeds were settled and ownership as well as controls were passed to XiaoHongMao Corporation and the Ultimate Holding Company respectively. The total net assets of Little Red Cap and BYD Net as of 31 August 2004 amounted to approximately RMB19,630,000, and the difference between the total consideration and the net assets sold amounting to RMB3,210,000, has been recorded as a loss on sale of discontinued operations.

The names of certain companies referred to as above represent management's best efforts in translating the Chinese names of these companies as no English names have been registered.

(a) The total assets and total liabilities of Little Red Cap and BYD Net comprised the following:

	As at 31 August 2004 ***RMB'000***	As at 31 December 2003 *RMB'000*
Non-current assets	**8,860**	10,397
Current assets	**86,205**	102,067
Total assets	**95,065**	112,464
Total liabilities	**(66,861)**	(89,165)
Minority interests	**(8,574)**	(6,872)
Net assets	**19,630**	16,427

4. SALE OF DISCONTINUED OPERATIONS *(Continued)*

(b) The net assets sold and net cash flow in respect of the disposal of discontinued operations were as follows:

	As at 31 August 2004 *RMB'000*
Net assets sold:	
Fixed assets	**7,169**
Long-term investments	**1,691**
Inventories	**577**
Trade receivables	**11,785**
Other receivables	**15,706**
Short-term bank deposit	**25,199**
Bank balance and cash	**32,938**
Trade payables	**(1,397)**
Other payables	**(62,712)**
Taxation payable	**(2,752)**
Minority interests	**(8,574)**
Net assets sold	**19,630**
Less: Sale proceeds	**(16,420)**
Loss on sale of discontinued operations	**3,210**
The net cash inflow in respect of the sale of discontinued operating was as follows:	
Sale proceeds received	**16,420**
Bank balances and cash disposed	**(58,137)**
Net cash outflow in respect of the sale of discontinued operations	**(41,717)**

4. SALE OF DISCONTINUED OPERATIONS *(Continued)*

(c) The operating results and cash flows of discontinued operations were as follows:

	Discontinued operations	
	8 months to 31 August 2004	12 months to 31 December 2003
	RMB'000	*RMB'000*
Turnover	**97,557**	115,966
Cost of sales	**(35,308)**	(21,283)
Gross profit	**62,249**	94,683
Other revenues	**727**	500
Selling and distribution expenses	**(39,260)**	(71,772)
Administrative expenses	**(22,687)**	(22,566)
Other operating expenses	**(59)**	(58)
Operating profit	**970**	787
Share of profit and losses of associated companies	**40**	250
Profit before taxation	**1,010**	1,037
Taxation	**(2,774)**	(865)
(Loss)/profit after taxation	**(1,764)**	172
Net cash (outflow)/inflow from operating activities	**(22,919)**	22,237
Net cash outflow from investing activities	**(8)**	(773)
Net cash outflow from financing activities	**(1,122)**	(78)
Net (decrease)/increase in cash and cash equivalents	**(24,049)**	21,386

5. OPERATING PROFIT

Operating profit is arrived at after crediting and charging of the following items:

	Year ended 31 December	
	2004	2003
	RMB'000	*RMB'000*
Crediting		
Reversal of provision for doubtful debts	**55**	–
Charging		
Depreciation of fixed assets *(Note 14)*	**6,850**	7,881
Amortisation of intangible assets *(Note 13)*	**827**	827
Provision for doubtful debts	**–**	10
Loss on disposal of fixed assets	**36**	637
Staff costs, including directors', supervisors' and senior management's emoluments *(Note 11)*	**46,628**	75,214
Printing costs	**169,002**	139,652
Cost of inventories		
– printing	**206,675**	166,363
– trading	**138,932**	152,995
Operating leases rental in respect of buildings	**3,794**	6,084
Auditors' remunerations	**2,539**	442

6. FINANCE COSTS

	Year ended 31 December	
	2004	2003
	RMB'000	*RMB'000*
Interest expenses on bank loans – wholly repayable within one year	**543**	170
Others	**2,351**	–
	2,894	170

7. TAXATION

(a) Enterprise income tax ("EIT")

The Group is not subject to Hong Kong profits tax since it had no estimated assessable income arising in or derived from Hong Kong for the year ended 31 December 2004 (2003: Nil).

In accordance with relevant income tax laws and regulations in the PRC, the companies in the Group are generally subject to EIT at the rate of 33%.

The Company is an enterprise engaged in the provision of newspaper advertising services in the PRC. In accordance with the approval document issued by the Beijing Local Tax Bureau, Chaoyang Branch, the Company is exempted from EIT for five years starting from 1 January 2004.

Beijing Youth Daily Logistics Co., Ltd. ("BYD Logistics") is an enterprise engaged in printing and trading business. BYD Logistics is subject to EIT at the rate of 33%.

Shanghai Beiqing Printing Machinery Limited ("SHBQ") is an enterprise engaged in printing and trading business and located in Shanghai Zhabei District. Pursuant to the approval granted by Shanghai Local Tax Bureau Zhabei Branch, SHBQ is exempted from EIT for the year ended 31 December 2003. SHBQ is subject to EIT at the rate of 33% for the year ended 31 December 2004.

The amount of taxation charged to the consolidated profit and loss accounts represents:

	Year ended 31 December	
	2004	2003
	RMB'000	*RMB'000*
Current taxation – PRC EIT	**12,236**	80,496
Deferred taxation relating to the reversal of temporary differences *(Note 28)*	**4,498**	2,249
Share of taxation attributable to associated companies	**1**	–
	16,735	82,745

7. TAXATION *(Continued)*

(a) Enterprise income tax ("EIT") *(Continued)*

The taxation of the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Group as follows:

	Year ended 31 December	
	2004	2003
	RMB'000	*RMB'000*
Profit before taxation	**222,283**	237,739
Calculated at the statutory rate of 33% (2003: 33%)	**73,353**	78,454
Effect of EIT exemption applicable to the Company	**(74,575)**	–
Effect of non-taxable investment income	**(13)**	–
Effect of tax losses not recognised	**13,297**	–
Expenses not deductible for taxation purposes	**4,673**	4,291
Taxation charge	**16,735**	82,745
Effective EIT rate	**7.5%**	34.8%

(b) Business tax ("BT")

The applicable BT rate for advertising revenue is generally 5%.

(c) Value Added Tax ("VAT")

The Group's revenue of printing and trading business are subject to VAT. The applicable tax rate is 17%. Input VAT on purchases of print-related materials and printing service received can be deducted from output VAT. VAT payable is the net difference between output and deductive input VAT.

8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of RMB225,309,000 (2003: RMB153,226,000).

9. DIVIDENDS

	Year ended 31 December	
	2004	2003
	RMB'000	*RMB'000*
Dividends	**(171,535)**	–

In the special general meeting on 30 January 2004 and annual general meeting on 26 July 2004, the shareholders approved the final dividends amounting to RMB46,146,000 and RMB125,389,000 in respect of the years ended 31 December 2002 and 2003 respectively. The amounts were accounted for as appropriations of retained earnings for the year ended 31 December 2004.

9. DIVIDENDS *(Continued)*

At a board meeting held on 23 April 2005, the directors proposed a final dividend of RMB0.39 per ordinary share amounting to a total of RMB76,951,000. This proposed dividend is subject to shareholders' approval in their next general meeting. Therefore, the amount is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2005.

10. EARNINGS PER SHARE

Pursuant to the resolution passed in the special general meeting on 30 January 2004, the Company transferred RMB46,140,000 from retained earnings to share capital to increase ordinary shares from 101,260,000 to 147,400,000 on 8 May 2004. The new shares rank pari passu in all respect with the existing shares. The number of ordinary shares in the year of 2003 for the purpose of calculating earnings per share has been adjusted retrospectively for this increase in ordinary shares.

With the completion of Global Offering the issued share capital of the Company increased from 147,400,000 shares to 197,310,000 shares.

Basic earnings per share for the year ended 31 December 2004 have been computed by dividing the profit of RMB194,180,000 (2003: RMB153,170,000) by 148,627,000 shares, being the weighted average number of shares in issue during the year ended 31 December 2004 (2003: 147,400,000 shares, being the number of shares issued and adjusted retrospectively for the increase mentioned above.)

For the year ended 31 December 2004, no fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

11. STAFF COSTS – INCLUDING DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

	Year ended 31 December	
	2004	2003
	RMB'000	*RMB'000*
Wages and salaries	**29,390**	57,652
Pension costs – defined contribution plans	**7,860**	3,395
Others	**9,378**	14,167
	46,628	75,214

All the full time employees of the Group are covered by a state-sponsored pension scheme under which the employees are entitled to an annual pension equal to their basic salaries at their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group was required to make defined contributions to the pension scheme at the rate of 20% for the year ended 31 December 2004 (2003: 20%) of the employees' basic salaries. Under this scheme, the Group has no obligation for post-retirement benefits beyond the annual contributions.

12. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

	Year ended 31 December	
	2004	2003
	RMB'000	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**382**	274
Contributions to retirement schemes	**1**	5
	383	279

No directors of the Company waived emoluments during the year ended 31 December 2004. No emoluments were paid to independent non-executive directors during the year.

The emoluments of the directors fell within the following band:

	Number of directors Year ended 31 December	
	2004	2003
Nil – RMB1,000,000	**11**	11

(b) Supervisors' emoluments

	Year ended 31 December	
	2004	2003
	RMB'000	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**144**	202
Contributions to retirement schemes	**14**	5
	158	207

12. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Supervisors' emoluments *(Continued)*

The emoluments of the supervisors fell within the following band:

	Number of supervisors Year ended 31 December	
	2004	2003
Nil – RMB1,000,000	**3**	3

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2004 include one director (2003: one) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individuals during the year are as follows:

	Year ended 31 December	
	2004	2003
	RMB'000	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**1,056**	1,099
Contributions to retirement schemes	**5**	50
	1,061	1,149

The emoluments of the highest paid individuals fell within the following band:

	Number of the highest paid individual Year ended 31 December	
	2004	2003
Nil – RMB1,000,000	**4**	4

During the year ended 31 December 2004, no emoluments have been paid by the Company to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2003: nil).

13. INTANGIBLE ASSET – GOODWILL

	Group and Company As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Cost		
At beginning and end of the year	**8,269**	8,269
Accumulated amortisation		
At beginning of the year	**(2,136)**	(1,309)
Amortisation for the year	**(827)**	(827)
At end of the year	**(2,963)**	(2,136)
Net book value		
At end of the year	**5,306**	6,133
At beginning of the year	**6,133**	6,960

14. FIXED ASSETS

	Group			
	Buildings (including land use rights) *RMB'000*	**Office equipment** *RMB'000*	**Motor vehicles** *RMB'000*	**2004 Total** *RMB'000*
Cost				
At beginning of the year	56,000	24,686	7,131	87,817
Additions	–	1,802	–	1,802
Disposals	–	(1,397)	(50)	(1,447)
Sale of discontinued operation *(Note 4)*	–	(14,064)	(4,006)	(18,070)
At end of the year	56,000	11,027	3,075	70,102
Accumulated depreciation				
At beginning of the year	(5,604)	(14,533)	(3,199)	(23,336)
Charge for the year	(2,942)	(2,880)	(1,028)	(6,850)
Disposals	–	1,355	45	1,400
Sale of discontinued operation *(Note 4)*	–	8,330	2,571	10,901
At end of the year	(8,546)	(7,728)	(1,611)	(17,885)
Net book value				
At end of the year	47,454	3,299	1,464	52,217
At beginning of the year	50,396	10,153	3,932	64,481

14. FIXED ASSETS *(Continued)*

	Company			
	Buildings (including land use rights) *RMB'000*	**Office equipment** *RMB'000*	**Motor vehicles** *RMB'000*	**2004 Total** *RMB'000*
Cost				
At beginning of the year	56,000	9,424	528	65,952
Additions	–	996	–	996
At end of the year	56,000	10,420	528	66,948
Accumulated depreciation				
At beginning of the year	(5,603)	(6,447)	(26)	(12,076)
Charge for the year	(2,942)	(1,056)	(86)	(4,084)
At end of the year	(8,545)	(7,503)	(112)	(16,160)
Net book value				
At end of the year	47,455	2,917	416	50,788
At beginning of the year	50,397	2,977	502	53,876

15. INVESTMENTS

(a) Investments in subsidiaries

	Company As at 31 December	
	2004 ***RMB'000***	2003 *RMB'000*
Unlisted shares, at cost	**15,150**	32,336
Amount due from a subsidiary	**–**	222
	15,150	32,558

The amount due from a subsidiary is unsecured, non-interest bearing and has no fixed terms of repayment. Please refer to Note 4 for the sale of discontinued operations.

15. INVESTMENTS *(Continued)*

(a) Investments in subsidiaries *(Continued)*

The following is a list of the principal subsidiaries at 31 December 2004:

Company	Country of operation/ establishment and date of incorporation/ establishment	Registered capital *RMB'000*	Effective interests held Indirectly	Directly	Type of legal entity	Principal activities
Beijing Youth Daily Logistics Co., Ltd.	the PRC, 15 September 2001	30,000	50.5%	–	Limited liability company	Warehousing logistics, printing and sales of print-related materials
Shanghai Beiqing Printing Machinery Limited	the PRC, 19 October 2002	500	–	35.35%	Limited liability company	Sales of print-related materials

The names of certain companies referred to as above represent management's best efforts in translating the Chinese names of these companies as no English names have been registered.

(b) Investment in a jointly controlled entity

	Group As at 31 December 2004 RMB'000	2003 RMB'000
Share of net liabilities	**(37,743)**	–

	Company As at 31 December 2004 RMB'000	2003 RMB'000
Unlisted shares, at cost	**2,550**	–

15. INVESTMENTS *(Continued)*

(b) Investment in a jointly controlled entity *(Continued)*

Summarised financial information of the jointly controlled entity was as follows:

	Year ended 31 December 2004 *RMB'000*
Turnover	**39,842**
Other revenues	**12,000**
Loss for the year	**(79,006)**

	As at 31 December 2004 *RMB'000*
Non-current assets	**457,724**
Current assets	**66,095**
Current liabilities	**(194,959)**
Non-current liabilities	**(402,862)**
Net liabilities	**(74,002)**

The following is the details of the joint controlled entity at 31 December 2004:

Company	**Country of operation/ establishment and date of incorporation/ establishment**	**Registered capital** *RMB'000*	**Effective interests held directly**	**Type of legal entity**	**Principal activities**
China Open Promotion Co., Ltd.	the PRC, 11 December 2003	5,000	51%[1]	Limited liability company	Organising and promoting Chinese tennis tournaments

The name of the company referred to as above represent management's best efforts in translating the Chinese name of the Company as no English name has been registered.

15. INVESTMENTS *(Continued)*

(b) Investment in a jointly controlled entity *(Continued)*

Note

(1) China Open Promotion Co., Ltd. ("COL") is a Sino-foreign investment equity joint venture. The Company and the foreign party has joint control over the board of directors of COL and such board is responsible for determining the financial and operating policies of COL in the ordinary course of business.

(c) Investments in associated companies

	Group As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Share of net assets	**–**	1,816
Amounts due from associated companies	**–**	3,050
	–	4,866
Unlisted shares at cost	**–**	1,190

Following with the completion of the sale of the discontinued operations (please refer to Note 4), Beijing XiaoHongMao Network Distribution Services Co., Ltd. and Beijing XiaoHongMao Transport Co., Ltd. ceased to be the associated companies of the Company from 31 August 2004.

The names of the companies mentioned in the above paragraph represent management's best efforts in translating the Chinese names of these companies as no English names have been registered.

(d) Long-term investment

	Group As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Unlisted shares, at cost	**2,069**	2,069

16. INVENTORIES

	Group As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Raw materials	**54,623**	35,296

As at 31 December 2004 and 2003, no inventories were stated at net realisable value.

17. TRADE RECEIVABLES

	Group As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Trade receivables		
– Due from related parties	**7,871**	1,435
– Due from third parties	**76,485**	34,724
	84,356	36,159
Less: provision for doubtful debts	**(357)**	(412)
	83,999	35,747

The aging analysis of trade receivables is as follows:

	Group As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Within 3 months	**47,292**	33,983
4 months to 6 months	**30,720**	–
7 months and 12 months	**5,757**	1,674
1 year to 2 years	**85**	336
Over 2 years	**502**	166
	84,356	36,159

17. TRADE RECEIVABLES *(Continued)*

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

In 2004, the Group extended the credit term to certain advertising agents of classified advertisements, which allow them to settle the outstanding balances by 31 December 2006.

The fair values are based on discounted cash flows using a discount rate based upon the borrowing rate which the directors expect would be available to the Group at 31 December 2004.

	Company As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Trade receivables		
– Due from related parties	**775**	1,435
– Due from third parties	**57,278**	15,080
	58,053	16,515
Less: provision for doubtful debts	**(357)**	(412)
	57,696	16,103

The aging analysis of trade receivables is as follows:

	Company As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Within 3 months	**21,515**	14,572
4 months to 6 months	**30,194**	–
7 months and 12 months	**5,757**	1,441
1 year to 2 years	**85**	336
Over 2 years	**502**	166
	58,053	16,515

17. TRADE RECEIVABLES *(Continued)*

The normal credit period granted by the Company to customers (including related parties but except for certain advertising agents of classified advertisements) ranges from 1 week to 1 month from the date of invoice.

In 2004, the Company extended the credit term to certain advertising agents on classified advertisements, which allow them to settle the outstanding balances by 31 December 2006.

The fair values are based on discounted cash flows using a discount rate based upon the borrowing rate which the directors expect would be available to the Company at 31 December 2004.

18. OTHER RECEIVABLE, PREPAYMENT AND DEPOSITS – Group and Company

Included in other receivable, prepayment and deposits is an amount of RMB58,611,000 which represents the Global Offering proceeds held by the Hongkong and Shanghai Banking Corporation Limited on behalf of the Company. The amount was received on 20 April 2005.

19. RESTRICTED BANK DEPOSITS

Restricted bank deposits represent the Group and the Company's deposits totalling of RMB56,000,000, which were pledged as security over a loan facility in the sum of USD6,000,000. The loan facility is granted to COL by China Minsheng Banking Corporation Limited.

20. BANK BALANCES AND CASH

	Group As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Cash at bank and in hand	**1,308,107**	415,292
Short-term bank deposits *(Note a)*	**43,030**	45,100
Bank balances and cash	**1,351,137**	460,392

	Company As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Cash at bank and in hand	**1,299,161**	348,627
Short-term bank deposits *(Note b)*	**43,030**	20,100
Bank balances and cash	**1,342,191**	368,727

(a) The weighted average interest rate on short-term bank deposits with maturity over three months was 1.94% per annum as at 31 December 2004 (2003: 1.68%).

(b) The weighted average interest rate on short-term bank deposits with maturity over three months was 1.94% per annum as at 31 December 2004 (2003: 1.75%).

The Group's bank balances and cash included RMB332,526,000 denominated in Renminbi and RMB1,018,611,000 denominated in Hong Kong dollars deposited with banks in the PRC.

The Company's bank balances and cash included RMB323,580,000 denominated in Renminbi and RMB1,018,611,000 denominated in Hong Kong dollars deposited with banks in the PRC.

21. TRADE PAYABLES

	Group As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Trade Payables		
– Due to the Ultimate Holding Company	**16,906**	10,698
– Due to associated companies	**–**	10,824
– Due to third parties	**37,927**	34,110
	54,833	55,632

The balance of trade payables to third parties as at 31 December 2004 includes notes payables of RMB12,271,000.

The aging analysis of trade payables is as follows:

	Group As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Within 3 months	**33,584**	55,288
4 months to 6 months	**8,012**	–
7 months and 12 months	**12,893**	–
1 year to 2 years	**–**	331
Over 2 years	**344**	13
	54,833	55,632

	Company As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Trade payables		
– Due to the Ultimate Holding Company	**14,021**	10,698
– Due to associated companies	**–**	10,824
– Due to subsidiaries	**32,981**	34,425
– Due to third parties	**1,731**	2,663
	48,733	58,610

21. TRADE PAYABLES *(Continued)*

The aging analysis of trade payables is as follows:

	Company As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Within 3 months	**48,733**	58,610
	48,733	58,610

22. OTHER PAYABLES AND ACCRUALS – Group and Company

Included in other payables and accruals is an amount of RMB94,536,000 which represents the proceeds from the sale of shares in the Global Offering by the Selling Shareholders which are PRC state owned entities, such proceeds were received by the Company on behalf of the Selling Shareholders. Pursuant to the relevant PRC government requirements, such proceeds will be remitted to the national social security fund.

23. TAXATION PAYABLE

	Group As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
EIT	**4,655**	29,920
VAT	**492**	3,180
BT	**4,225**	9,621
City Construction tax	**365**	849
Individual Income tax	**192**	759
	9,929	44,329

23. TAXATION PAYABLE *(Continued)*

	Company As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
EIT	**–**	24,877
VAT	**–**	370
BT	**4,216**	8,982
City Construction tax	**362**	655
Individual Income tax	**164**	519
	4,742	35,403

24. SHORT-TERM BANK LOANS

	Group As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Bank loans – unsecured	**10,000**	10,000

As at 31 December 2004, the bank loan bear interests at the rate of 5.31% (2003: 5.31%) per annum and were repayable within one year. The loans were guaranteed by the Company.

25. SHARE CAPITAL

	Company As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Registered, issued and fully paid		
– Domestic Shares of RMB1.00 each	**142,409**	101,260
– H Shares of RMB1.00 each	**54,901**	–
	197,310	101,260

25. SHARE CAPITAL *(Continued)*

The Company was incorporated on 28 May 2001 with an initial registered capital of RMB101,260,000, consisting of 101,260,000 shares with par value RMB1.00 each. The shares were issued and fully paid upon incorporation.

In the special general meeting on 30 January 2004, the shareholders approved the transfer of RMB46,140,000 from retained earnings to share capital. Following this transfer on 8 May 2004, the registered capital of the Company was increased from RMB101,260,000 to RMB147,400,000 by the issuance of an additional 46,140,000 shares of RMB1.00 each.

In December 2004, the Company completed its Global offering. 49,910,000 new H shares were issued by the Company. 4,991,000 shares were sold by the Selling Shareholders. As a result, the issued share capital of the Company increased from 147,400,000 domestic shares to 197,310,000 shares, comprising 142,409,000 domestic shares and 54,901,000 H shares, representing 72.18% and 27.82% of the issued capital, respectively.

All the domestic shares and H shares rank pari passu in all material respects.

26. RETAINED EARNINGS AND RESERVES

In accordance with the relevant PRC regulations and the Articles of Association of the Company, the companies comprising the Group is required to transfer 10% of the profit after taxation determined in accordance with the PRC accounting standards ("PRC GAAP") every year to a statutory surplus reserve until the balance reaches 50% of the registered share capital. Such reserve can be used to reduce any losses incurred and to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered share capital.

In accordance with the relevant PRC regulations and the Articles of Association of the Company, the companies comprising the Group are required to transfer between 5% to 10% of the profit after taxation determined in accordance with the PRC GAAP to a statutory public welfare fund every year. The use of this fund is restricted to capital expenditure for employees' collective welfare facilities, the ownership in respect of which belongs to the Company. The statutory public welfare fund is not available for distribution to shareholders except under liquidation. Once the capital expenditure on staff welfare facilities has been made, and equivalent amount must be transferred from the statutory public welfare fund to the discretionary surplus reserve, a reserve which can be used to reduce any losses incurred or to increase share capital.

For the year ended 31 December 2004, the Board of Directors proposed appropriations of 10% and 10% of profit after tax (2003: 10% and 10%) respectively determined under PRC GAAP of RMB23,734,000 and RMB23,734,000 (2003: RMB15,621,000 and RMB15,622,000) to the statutory surplus reserve fund and the statutory public welfare fund respectively.

26. RETAINED EARNINGS AND RESERVES *(Continued)*

In accordance with the Articles of Association of the Company, retained earnings available for distribution by the Company will be deemed to be the lower of the amounts determined in accordance with the PRC GAAP and the amount determined in accordance with HK GAAP. As at 31 December 2004, the amount of retained earnings available for distribution was approximately RMB191,533,000 (2003: RMB231,367,000) being the amount determined in accordance with the HK GAAP.

The movements of retained earnings and surplus reserves of the Company are as follows:

	Note	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Statuary public welfare fund *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
As at 1 January 2003		–	16,146	16,146	109,384	141,676
Profit attributable to shareholders		–	–	–	153,226	153,226
Appropriation to statutory reserves		–	15,621	15,622	(31,243)	–
As at 31 December 2003		–	31,767	31,768	231,367	294,902
Profit attributable to shareholders	*8*	–	–	–	225,309	225,309
Dividends	*9*	–	–	–	(171,535)	(171,535)
Transfer to share capital	*25*	–	–	–	(46,140)	(46,140)
Issue of shares		896,313	–	–	–	896,313
Appropriation to statutory reserves		–	23,734	23,734	(47,468)	–
As at 31 December 2004		**896,313**	**55,501**	**55,502**	**191,533**	**1,198,849**

27. LONG-TERM LIABILITIES

	Group and Company As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
One-off housing subsidies	**8,020**	20,447
Less: current portion of long-term liabilities	**(2,740)**	(12,931)
	5,280	7,516

The balances represent one-off housing subsidies owed to eligible employees working for the Company. Employees hired by state owned enterprises before 31 December 1996 were entitled to one-off housing subsidy plan as promulgated by the Beijing Municipal Government. In accordance with this plan, the enterprises should provide staff quarters with prescribed standard for the eligible employees. The standard varies with the employees' years of working with the enterprises. If the enterprises are unable to provide staff quarters with prescribed standard for the employees, one-off housing subsidy should be paid to the employees based on a standard formula stipulated in the relevant regulations. Upon incorporation of the Company, certain employees were transferred from the Ultimate Holding Company to the Company. The Company agreed to undertake the liability of paying one-off housing subsidy to these employees. The total amount of the liability was approximately RMB20,447,000 and RMB12,427,000 was paid during 2004. The remaining balances RMB2,740,000 and RMB5,280,000 will be paid before 31 December 2005 and 31 December 2006 respectively.

28. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 33%.

The principal temporary differences mainly arose from one-off housing subsidies. The movement on the deferred tax asset is as follows:

	Group and Company As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
At beginning of the year	**4,498**	6,747
Deferred taxation charged to consolidated profit and loss account *(Note 7)*	**(4,498)**	(2,249)
At end of the year	**–**	4,498

28. DEFERRED TAXATION *(Continued)*

	Group and Company As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Deferred tax assets arising from one-off housing subsidies	**–**	4,498

The Company has obtained an approval of EIT exemption from the Beijing Local Tax Bureau, Chaoyang Branch on 8 September 2004. Pursuant to the approval document, the Company is exempted from EIT for five years starting from 1 January 2004. Therefore, the deferred tax assets have been reversed accordingly for the year ended 31 December 2004.

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 31 December 2004, the Group has unrecognised tax losses of RMB40,293,000 (2003: Nil) to carry forward against future taxable income. These tax losses will expire within 5 years.

29. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operations:

	As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Operating profit	**265,430**	237,635
Depreciation	**6,850**	7,881
Amortisation charge	**827**	827
Loss on disposal of fixed assets	**36**	637
Interest income	**(6,211)**	(3,369)
Operating profit before working capital changes	**266,932**	243,611
Loss on disposal of discontinued operation	**3,210**	–
(Increase)/decrease in inventories	**(19,904)**	1,348
Increase in trade receivables	**(62,387)**	(21,325)
Decrease in other receivables	**16,041**	72,852
Increase/(decrease) in trade payables	**598**	(54,700)
(Decrease)/increase in taxes payable	**(6,384)**	6,516
(Decrease)/increase in other payables and long-term liabilities	**(35,054)**	18,839
Net cash inflow from operations	**163,052**	267,141

29. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Analysis of changes in financing:

	Dividends payable *RMB'000*	Share capital *RMB'000*	Capital reserve *RMB'000*	Minority interests *RMB'000*	Short-term bank loans *RMB'000*
As at 1 January 2003	18,627	101,260	–	25,190	–
Minority interests' share of profit	–	–	–	1,824	–
Cash (outflow)/inflows from financing	(18,627)	–	–	(728)	10,000
As at 31 December 2003	–	101,260	–	26,286	10,000
Dividends declared	171,535	–	–	–	–
Transfer from retained earnings	–	46,140	–	–	–
Issue of shares	–	49,910	896,313	–	–
Minority interests' share of profit	–	–	–	11,368	–
Sale of discontinued operations	–	–	–	(8,574)	–
Transfer from dividend payable in advance	(30,000)	–	–	–	–
Cash outflow from financing	(141,535)	–	–	(2,146)	–
As at 31 December 2004	**–**	**197,310**	**896,313**	**26,934**	**10,000**

30. COMMITMENT

(a) Commitments under operating leases

The Group had future aggregate minimum lease payments under non-cancellable operating leases for leasing offices:

	As at 31 December	
	2004 *RMB'000*	2003 *RMB'000*
Not later than one year	**525**	3,078
Later than one year and not later than five years	**328**	2,321
Later than five years	**–**	508
	853	5,907

The Company did not have any significant commitments outstanding as at 31 December 2004 and 2003.

30. COMMITMENT *(Continued)*

(b) Capital commitments

The Group and the Company did not have any significant commitments outstanding as at 31 December 2004 (2003: Nil).

31. RELATED PARTY TRANSACTIONS

During the year, the Group entered into various transactions with related parties including the Ultimate Holding Company and fellow subsidiaries, entities directly or indirectly controlled or significantly influenced by the Ultimate Holding Company and minority shareholders of subsidiaries.

The names of companies referred to as below represent management's best efforts in translating the Chinese names of these companies as no English names have been registered.

(i) Significant recurring related party transactions, which were carried out in the normal course of the Group's business, are as follows:

		Year ended 31 December	
		2004	2003
	Note	***RMB'000***	*RMB'000*
Provision of advertising services	*(a)*	**29,086**	27,578
Sales of print-related materials	*(b)*	**31,353**	36,396
Payment for printing services	*(c)*	**76,203**	76,446
Exclusive advertising right expenses	*(d)*	**138,116**	131,824
Provision of printing services	*(e)*	**31,400**	–
Payment for delivery services	*(f)*	**3,764**	–
Rental Income	*(g)*	**1,513**	–

Significant non-recurring related party transactions, which were carried out in the normal course of the Group's business, are as follows:

		Year ended 31 December	
		2004	2003
	Note	***RMB'000***	*RMB'000*
Payment for delivery services	*(h)*	**4,840**	7,889
Payment for promotion services	*(i)*	**8,000**	10,000

In the Directors' opinion, the related party transactions mentioned above were all conducted in the normal course of business of the Group and at terms mutually agreed between the Group and the respective related parties.

31. RELATED PARTY TRANSACTIONS *(Continued)*

(a) The Group provided advertising services to certain subsidiaries and associated companies of the Ultimate Holding Company. The breakdown is as follows:

	Year ended 31 December	
	2004	2003
	RMB'000	*RMB'000*
Provision of advertising services		
– to Beijing Today Sunshine Advertising Co., Ltd.	**2,244**	4,709
– to Beijing Gehua Sunshine Advertising Co., Ltd.	**26,842**	22,869
	29,086	27,578

(b) BYD Logistics sold print-related materials to certain of its minority shareholders. The breakdown is as follows:

	Year ended 31 December	
	2004	2003
	RMB'000	*RMB'000*
Sales of print-related materials		
– to Xin Hua Net Printery	**16,497**	15,845
– to Workers Daily	**4,881**	9,596
– to Beijing Min Yi Printing Technology Services Company	**9,975**	10,955
	31,353	36,396

31. RELATED PARTY TRANSACTIONS *(Continued)*

(c) BYD Logistics received printing services from certain of its minority shareholders. The breakdown as follows:

	Year ended 31 December	
	2004	2003
	RMB'000	*RMB'000*
Payment for printing services		
– to Xin Hua Net Printery	**62,913**	64,314
– to Workers Daily	**13,290**	12,038
– to Beijing Min Yi Printing Technology Services Company	**–**	94
	76,203	76,446

(d) Pursuant to the fee agreement entered into between the Company and the Ultimate Holding Company on 31 December 2002, the Company would pay 15% of the advertising revenue to the Ultimate Holding Company for a ten-year period starting from 1 January 2003. The fee agreement was terminated on 30 September 2004 and replaced by the advertising business agreement entered into between the Company and the Ultimate Holding Company on 7 December 2004 under which the Company would pay 16.5% of the advertising revenue to the Ultimate Holding Company from 1 October 2004 to 30 September 2033.

(e) BYD Logistics provided printing services to Beijing Sci-Tech Report and Legal Evening Post which are operated by the Ultimate Holding Company.

(f) The company received direct mail advertisement delivery services from Little Red Cap, a company indirectly controlled by Ultimate Holding Company.

(g) The Company rented certain offices situated in the Beijing Youth Daily Agency Building from 1 August 2004 to 31 July 2007 with annual rental fee of RMB3,426,000. In addition, COL rented offices from 30 May 2004 to 29 May 2005 with annual rental fee of RMB 131,400.

(h) The Group received newspapers and magazines delivery services from Beijing XiaoHongMao Transport Co., Ltd., an associated company of the Group.

(i) The Group received promotion services from Beijing XiaoHongMao Network Distribution Services Co., Ltd., an associated company of the Group.

Following the completion of the sale of discontinued operations, the XiaoHongMao Transport Co, Ltd. and XiaoHongMao Network Distribution Service Co, Ltd. are no longer the associated companies of the Group. Except for the items (h) and (i) above, the above related party transactions are continuing transactions.

31. RELATED PARTY TRANSACTIONS *(Continued)*

(ii) Pursuant to the advertising business agreement entered into between the Company and the Ultimate Holding Company on 7 December 2004, the Ultimate Holding Company has granted call options to the Company. Pursuant to the terms of the opinion, the Company has the right to acquire from the Ultimate Holding Company the exclusive rights to operate the advertising business of the Ultimate Holding Company's publications other than the BYD Papers, the operating rights of which the Company already owns. Moreover the Company has the right to acquire from the Ultimate Holding Company the operating rights and related assets in respect of all the publications published by the Ultimate Holding Company and the Ultimate Holding Company's holdings in the equity capital of Beijing Today Sunshine Advertising Co., Ltd., Beijing Gehua Sunshine Advertising Co., Ltd., Beijing Beiqing Advertisement Limited and Beijing Gehua Cable TV Network Co., Ltd.

32. CONTINGENT LIABILITIES

	Group	
	As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Guarantees for bank loans of the jointly controlled entity	**72,553**	16,553

	Company	
	As at 31 December	
	2004	2003
	RMB'000	*RMB'000*
Guarantees for bank loans of the jointly controlled entity	**72,553**	16,553
Guarantees for bank loans of a subsidiary	**10,000**	–
Guarantees for credit line facility of a subsidiary	**40,000**	–

32. CONTINGENT LIABILITIES *(Continued)*

On 20 May 2004, the Company provided a loan guarantee in the amount of USD2,000,000 in favour of the lender of a USD2,000,000 bank loan to COL.

On 21 July 2004, the Company entered into a pledge agreement with China Minsheng Banking Corporation Limited, pursuant to which the Company pledged its fixed term deposits in the sum of RMB56,000,000 as security over a loan facility in the sum of USD6,000,000, which is granted to COL by China Minsheng Banking Corporation Limited.

On 21 October 2004, the Company provided a loan guarantee in the amount of RMB10,000,000 in favour of the lender of a bank loan to BYD Logistics.

On 21 October 2004, the Company provide a guarantee in the amount of RMB40,000,000 in favour of the provider of a RMB40,000,000 credit line facility to BYD Logistics.

Management anticipate that no material liabilities will arise from the above guarantees which arose in the ordinary course of business.

33. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures as previously presented in the cash flow statement in the Company's prospectus dated 13 December 2004 have been reclassified to conform to the current year's presentation.

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 23 April 2005.

FINANCIAL SUMMARY

	Year ended 31 December			Period from 28 May 2001 (date of incorporation of the Company) to 31 December
	2004	2003	2002	2001
RESULTS (RMB'000)				
Turnover	**1,101,335**	1,070,198	914,649	402,713
Operating profit	**265,430**	237,635	212,286	36,965
Profit attributable to shareholders for the year/period	**194,180**	153,170	139,261	22,625
Earning per share, basis (RMB)	**1.31**	1.04	0.94	0.15
CASH FLOW DATA (RMB'000)				
Net cash inflow from operating activities	**125,008**	161,981	213,551	69,477
FINANCIAL RATIOS				
Return on equity (%)	**14.20**	38.50	56.95	18.26
Current ratio (times)	**6.40**	2.31	1.64	1.31
Net profit margin (%)	**17.60**	14.31	15.23	5.62

CONSOLIDATED BALANCE SHEET DATA (RMB'000)

	As at 31 December			
	2004	2003	2002	2001
Non-current assets	**21,849**	82,047	86,631	96,040
Current assets	**1,632,001**	616,398	520,059	297,774
Current liabilities	**255,079**	266,954	316,534	227,713
Shareholders' equity	**1,366,557**	397,689	244,519	123,885