



BEIJING MEDIA CORPORATION LIMITED

(a joint stock limited company incorporated in the PRC with limited liability)

(Stock Code: 01000)

2006 INTERIM RESULT

The Board of Directors of Beijing Media Corporation Limited (the “Company”, together with its subsidiaries, the “Group”) hereby announces the unaudited consolidated results of the Group for the six months ended 30 June 2006 (the “First Half of 2006”) and the comparative results of the Group for the corresponding period in 2005.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2006

		Six months ended 30 June	
		2006	2005
		Unaudited	Unaudited
	<i>Note</i>	RMB'000	RMB'000
Turnover	3	366,629	389,932
Cost of sales		(346,947)	(358,535)
Gross profit		19,682	31,397
Other gains – net		21,872	12,737
Selling and distribution expenses		(3,918)	(2,471)
Administrative expenses		(19,150)	(21,566)
Finance (costs)/income		(10,244)	1,287
Share of profit/(loss) of a jointly controlled entity		3,766	(11,916)
Profit before income tax	4	12,008	9,468
Income tax expenses	5	(4,142)	(4,632)
Profit for the period		7,866	4,836
Attributable to :			
Equity holders of the Company		5,662	170
Minority interests		2,204	4,666
		7,866	4,836
Earnings per share for profit attributable to the equity holders of the Company during the period (RMB per share), basic	6	0.029	0.001
Dividends	7	49,328	76,951

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UNAUDITED)

As at 30 June 2006

		As at 30 June 2006 Unaudited RMB'000	As at 31 December 2005 Audited RMB'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		17,010	16,836
Prepayment for land use rights		32,759	33,202
Intangible assets		25,912	5,387
Investment in a jointly controlled entity		(67,744)	(71,510)
Available-for-sale financial assets		2,069	2,069
		<u>10,006</u>	<u>(14,016)</u>
Current assets			
Inventories		50,146	59,998
Trade receivables	8	136,969	117,015
Other receivables, prepayment and deposits		22,256	12,102
Restricted bank deposits		151,736	56,000
Short-term bank deposits		946,962	1,073,933
Cash and cash equivalents		315,079	284,733
		<u>1,623,148</u>	<u>1,603,781</u>
Total assets		<u>1,633,154</u>	<u>1,589,765</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		197,310	197,310
Reserves		1,024,031	1,024,031
Retained earnings			
– Proposed final dividend		–	49,328
– Others		34,536	28,874
		<u>1,255,877</u>	<u>1,299,543</u>
Minority interests		41,741	33,635
Total equity		<u>1,297,618</u>	<u>1,333,178</u>
LIABILITIES			
Current liabilities			
Trade payables	9	75,955	65,525
Other payables and accruals		227,065	157,919
Taxation payable		7,516	5,123
Short-term bank loan		20,000	20,000
Current portion of long-term liabilities		5,000	8,020
		<u>335,536</u>	<u>256,587</u>
Total liabilities		<u>335,536</u>	<u>256,587</u>
Total equity and liabilities		<u>1,633,154</u>	<u>1,589,765</u>
Net current assets		<u>1,287,612</u>	<u>1,347,194</u>
Total assets less current liabilities		<u>1,297,618</u>	<u>1,333,178</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the six months ended 30 June 2006

1. Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2006 has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34, ‘Interim financial reporting’. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

2. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2005, as described in the annual financial statements for the year ended 31 December 2005.

The following new amendments to standards and interpretations are mandatory for financial year with annual period beginning on or after 1 January 2006.

- Amendment to HKAS 39 and Hong Kong Financial Reporting Standards (“HKFRS”) 4, Amendment “Financial guarantee contracts”, effective for annual periods beginning on or after 1 January 2006. These amendments had no material impact to the accounting policies of the Group; and
- HKAS – Interpretation 4, “Determining whether an arrangement contains a lease”, effective for annual periods beginning on or after 1 January 2006. This interpretation had no material impact to the accounting policies of the Group. Management will continue to assess the impact of this HKAS Interpretation to the accounting policies of the Group for any further arrangements.

3. Segment Information

(a) Primary reporting format – business segments

For the six months ended 30 June 2006, the Group is organised into three main business segments:

Advertising:	Sales of the advertising spaces in the newspapers, mainly published by Beijing Youth Daily Newspaper Agency (the “Ultimate Holding Company”).
Printing:	Provision of printing services.
Trading of print-related materials:	Sales of paper, ink, lubricants, films, PS boards and rubber sheets for printing and other print-related materials.

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

The segment information are as follows:

For the six months ended 30 June 2006					
	Advertising	Printing	Trading of print-related materials	Others	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover (including inter-segment)	235,072	182,635	85,763	–	503,470
Less: Inter-segment sales	–	(136,841)	–	–	(136,841)
Turnover to external customers	<u>235,072</u>	<u>45,794</u>	<u>85,763</u>	<u>–</u>	<u>366,629</u>
Segment results	<u>(15,360)</u>	<u>7,417</u>	<u>4,557</u>	<u>–</u>	<u>(3,386)</u>
Unallocated other gains, net					21,872
Finance costs					(10,244)
Share of profit of a jointly controlled entity	–	–	–	3,766	3,766
Profit before income tax					12,008
Income tax expenses					(4,142)
Profit for the period					<u>7,866</u>
Capital expenditure	22,037	–	58	–	22,095
Depreciation	1,002	–	270	–	1,272
Amortization charges	565	–	2	–	567
As at 30 June 2006					
Segment assets	1,541,333	85,076	72,420	–	1,698,829
Interests in a jointly controlled entity	–	–	–	(67,744)	(67,744)
Available-for-sale financial assets	–	–	2,069	–	2,069
Total assets					<u>1,633,154</u>
Segment liabilities	<u>209,570</u>	<u>75,296</u>	<u>50,670</u>	<u>–</u>	<u>335,536</u>

For the six months ended 30 June 2005					
	Advertising RMB'000	Printing RMB'000	Trading of print-related materials RMB'000	Others RMB'000	Group RMB'000
Turnover (including inter-segment) (Note 11)	254,915	185,461	92,742	–	533,118
Less: Inter-segment sales	–	(143,186)	–	–	(143,186)
Turnover to external customers (Note 11)	254,915	42,275	92,742	–	389,932
Segment results	(6,856)	5,425	8,791	–	7,360
Unallocated other gains, net					12,737
Finance income					1,287
Share of loss of a jointly controlled entity	–	–	–	(11,916)	(11,916)
Profit before income tax					9,468
Income tax expenses					(4,632)
Profit for the period					4,836
Capital expenditure	416	–	376	–	792
Depreciation (Note 11)	1,544	–	357	–	1,901
Amortization charges (Note 11)	443	–	–	–	443
Other non-cash expenses	6,110	–	–	–	6,110
As at 31 December 2005					
Segment assets	1,524,741	47,295	87,170	–	1,659,206
Interests in a jointly controlled entity	–	–	–	(71,510)	(71,510)
Available-for-sale financial assets	–	–	2,069	–	2,069
Total assets					1,589,765
Segment liabilities	152,791	46,611	57,185	–	256,587
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 is presented.					

4. Profit before income tax

Profit before income tax in the unaudited condensed consolidated interim income statement for the six months ended 30 June 2006 was determined after charging and crediting of the following items:

	For the six months ended 30 June	
	2006 RMB'000	2005 RMB'000
Charging:		
Interest expenses	564	282
Depreciation of property, plant and equipment (Note 11)	1,272	1,901
Amortisation charges (Note 11)	567	443
Provision for doubtful debts	–	5,753
Printing cost	77,076	71,018
Cost of inventory		
– printing	97,627	104,319
– trading	78,668	81,350
Crediting:		
Reversal of provision for doubtful debts	56	–

5. Income tax expenses

The Group is not subject to Hong Kong profit tax since it has no estimated assessable income arising in or derived from Hong Kong for the period ended 30 June 2006 (2005: Nil).

PRC income tax has been provided on the estimated assessable profit for the period at their prevailing rates of taxation.

6. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	5,662	170
Weighted average number of ordinary shares in issue (thousands)	197,310	197,310
	0.029	0.001

For the period ended 30 June 2006, as there were no potentially dilutive shares outstanding, there is no difference between basic and diluted earnings per share.

7. Dividends

In the annual general meeting on 20 June 2006, the shareholders approved the final dividend of RMB0.25 per ordinary share amounting to a total of RMB49,327,500, in respect of the year ended 31 December 2005. The amounts have been reflected as an appropriation of retained earnings for the six months ended 30 June 2006.

8. Trade receivables

	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
Within 3 months	81,332	68,619
4 months to 6 months	11,830	14,177
7 months and 12 months	14,323	6,374
1 year to 2 years	38,781	37,238
Over 2 years	617	577
	146,883	126,985
<i>Less: provision for doubtful debts</i>	(9,914)	(9,970)
Trade receivables – net	136,969	117,015

9. Trade payables

	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
Within 3 months	71,785	61,772
4 months to 6 months	3,263	2,969
7 months and 12 months	562	91
1 year to 2 years	2	350
Over 2 years	343	343
	75,955	65,525

10. Investments in subsidiaries

On 13 February 2006, the Company entered into an agreement with Hebei Youth Daily Newspaper Agency to establish a new company, namely Hebei Heqing Media Corporation Limited (“Heqing Media”). The Company has injected RMB18,000,000 cash as capital contribution and owns 60% equity interests of Heqing Media.

On 24 May 2005, the Group acquired 51% of Beijing Leisure Trend Advertising Company at a cash consideration of RMB2,550,000.

The names of 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.

11. Comparative figures

Certain prior period figures have been reclassified to conform to the current period’s presentation.

INTERIM DIVIDEND

The board of directors of the Company (“the Board”) did not recommend the distribution of any interim dividend for the six months ended 30 June 2006.

USE OF PROCEEDS FROM LISTING

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 the proposed use of proceeds as disclosed in the Prospectus of the Company and the actual use of proceeds as at 30 June 2006:

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 topic-focused magazines on personal wealth management, lifestyle and cultural activities	Approximately 80 million	Approximately 8.6 million
Investing in the television industry in Beijing	Approximately 250 million	not used
Acquisition of other media businesses	Approximately 275 million	Approximately 17.5 million
General working capital	Approximately 73 million	not used

As at 30 June 2006, a substantial part of the proceeds of the Company had not been utilized, which was mainly due to the following reasons:

- The preparation period for developing weekend newspapers and topic-focused magazines is longer than expected. In addition, the Company adopts a prudent investment strategy, and will not make hasty investment without the support of sufficient market conditions;
- The PRC government has tightened the limitation on the participation of foreign enterprises in the television broadcasting industry, and our development in such industry has been slower than expected accordingly;
- The Company has spent considerable time on negotiation concerning a number of acquisitions because media industries, particularly newspapers and other media are subject to relatively more restrictions imposed by the relevant government authorities in the PRC.

Nevertheless, during the First Half of 2006, the Company strived to seek opportunities to fulfill the objectives set forth in its Prospectus. The Company believes that the proceeds will be utilized continually for business development in the later half of 2006 and in subsequent years.

Internal Review

The Company made announcements on 3, 12 and 17 October 2005 in respect of the detention of, and allegations of bribery or corruption against, six employees of the Company by the Prosecution Office of the Beijing Dongcheng District and the Second Prosecution Branch Office of the Beijing City, the PRC. An independent financial advisor has been engaged by the Company to conduct an internal investigation on the possible financial impact of this incident on the Company's financial situation. The investigation report of the independent financial advisor was issued on 18 April 2006 and, upon review by the Audit Committee and approval by the Board of the Company, the investigation findings are expected to be announced by the Company shortly. The Company believes that the allegations against the six employees do not have any significant effect on the overall financial situation of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in three business operations: (1) advertising sales which contribute the largest portion of the Group's turnover; (2) turnover from printing, which includes revenue generated from the printing of publications arranged by Beijing Youth Daily Logistics Co., Ltd. ("BYD Logistics"); and (3) trading of print-related materials, which involves the supply and trading of, among other things, newsprint, ink, lubricants, films, PS boards and rubber sheets to third parties, including commercial printers.

For the First Half of 2006, total turnover of the Group was approximately RMB366,629,000, representing a decline of approximately 6.0% from the corresponding period of 2005. Profit attributable to shareholders was approximately RMB5,662,000, representing an increase of approximately 3,231.0% from the corresponding period of 2005.

The total turnover of the Group for the First Half of 2006 experienced a decline, primarily due to a decrease in advertising revenue, particularly those related to the real estate sector, as a result of the austerity measures and relevant policies and regulations implemented by the PRC government and the new media's diversifying the advertising shares of newspaper and magazine. Profit attributable to shareholders experienced an increase, primarily due to the decrease in the cost of sales and operating expenses, as a result of the Group's active control on the cost, and the increase in bank deposits interest income.

Industry Review

For the First Half of 2006, PRC government imposed further austerity measures on real estate sector. The Regulation of the People's Republic of China on the Administration of Surveying and Mapping Achievements (Revised Draft) (the "Regulations") was approved by the State Council on 17 May 2006 to restructure the housing structure and strengthen the guidance and control in real estate market. According to the 2006's Land Supply Plan newly revealed by the Beijing Municipal Administration of Land, Resources and Real Estate, the residential land supply is expected to decrease by approximately 10% in 2006 from 2005. The promulgation of the Regulations further restricted the project planning and slowed down the launch of new real estate projects. Also, these policies have greatly declined the scale and the frequency of advertising from this sector. At the same time, the automotive manufacturers launched new models frequently in the domestic market and the competition in this sector is increasingly furious. As such, the advertising in automotive sector rallied slightly. However, new media such as outdoor advertising and the internet diversified the advertising shares of newspaper and magazine. According to 北京慧聰國際資訊有限公司 ("Beijing Hui Cong International Information Co., Ltd.") ("HC"), the overall growth of advertising sales in newspapers and magazines continued to slow down in 2006.

In the second half of 2006, the Group will continue to focus on its core business of providing newspaper advertising services. In addition, the Group will also be committed to multi-media platform operations, which include seeking to engage in the business of topic-focused magazines and the development of outdoor advertising business. Moreover, the Group will continue to take full advantage of its established media connections in Beijing to organize large-scale events such as the China Open.

Advertising Business

For the First Half of 2006, approximately RMB235,072,000, or approximately 64.1%, of the total turnover of the Group was derived from advertising sales, representing a decline of approximately 7.8% from the corresponding period of 2005.

The Group's revenue generated from advertising was mainly attributable to Beijing Youth Daily. For the First Half of 2006, revenue from real estate advertising generated by Beijing Youth Daily decreased by approximately 18.3% from the corresponding period of 2005 to approximately RMB75,997,000 as a result of the austerity measures and relevant policies and regulations implemented by the PRC government and the new media's diversifying the advertising shares of newspaper and magazine.

According to HC, during the First Half of 2006, 414 real estate projects have placed advertisements in Beijing's major newspapers, representing a drop of approximately 5.0% from 436 of the corresponding period of 2005. At the same time, the automotive manufacturers launched new models frequently in the domestic market and the competition in this sector is increasingly furious. As such, the advertising sales in automotive sector rallied slightly. The Company has achieved a positive result in restructuring its advertising portfolio as the advertising from certain weak industries such as leisure and entertainment, watch and optical and finance and insurance sectors recorded growth.

Apart from Beijing Youth Daily, the Group also publishes other newspapers and magazines, including "Beijing Today", "Beijing Children's Weekly", "Middle School Times", "Leisure Trend" direct mail magazine, "39.2 Degree" youth magazine and "Hebei Youth Daily".

Printing Business and Trading of Print-related Materials

The Group engages in the printing business and trading of print-related materials through BYD Logistics. For the First Half of 2006, turnover from the printing business amounted to approximately RMB45,794,000, representing an increase of approximately 8.3% and trading of print-related materials amounted to approximately RMB85,763,000, representing a decline of approximately 7.5% from the corresponding period of 2005.

Organization of Large-scale Events

China Open Promotion Company Limited ("COL"), a jointly controlled joint venture established by the Company, has organized the first and the second China Open tournaments in 2004 and 2005 in Beijing, and will continue to hold the third tournament in September 2006 in Beijing. Leveraging the experience gained from organizing the first and second tournaments, COL expects and believes that the Third China Open tournament will attain a higher degree of success. At present, COL is co-ordinating with the relevant government departments and other co-operative associations for the preparation of the third tournament.

On 18 March 2006, Media Serv Limited ("MSL"), Media Serv Asia Pacific Limited ("MSAP"), Tom Group Limited ("TOM"), the Company and COL entered into a termination deed (the "Termination Deed") to terminate all existing agreements and arrangements relating to the organisation of the China Open. On the same date of the Termination Deed, the Company, COL, TOM, Champion Will International Limited ("Champion"), Swidon Enterprises Limited ("Swidon") and Tennis Tournaments Holdings Limited ("TTHL") entered into an authorization agreement (the "Authorization Agreement") regarding the organization of future China Open events. Under the Authorization Agreement, COL will be entitled to all the commercial rights pertaining to the organisation of the China Open, including the right to receive sponsorships, broadcasting fees, ticket sales and related products sales. In consideration, COL will be responsible for the payment of an aggregate ATP Tour, Inc ("ATP") and WTA Tour, Inc ("WTA") licence fee of US\$1,200,000 per year to Champion and Swidon.

Prospects and Future Plans

The Group came across many challenges arising from newspaper and magazine advertising segments in the First Half of 2006 as the PRC government imposed further austerity measures and issued relevant policies and regulations, and the new media diversified the advertising shares of newspaper and magazine. Looking forward into the second half of 2006, we are of the belief that the PRC advertising industry will maintain a healthy growth. In light of the 2008 Olympic Games in Beijing, we expect that opportunities for the advertising business will arise from the anticipated growing demand for advertising services during the preparation and holding period of the 2008

Olympic Games. Adhering to its objective of developing into a successful cross-media enterprise, the Group will continue to diversify its income stream, such as through expansion into operations of new newspapers, topic-focused magazines, outdoor billboards and large-scale events.

In respect of the development of topic-focused magazines, the Group acquired the operating right of “39.2 Degree”, a youth magazine, in January 2006. The Company also plans to continue the research on the launch of other topic-focused magazines with market and profit potential.

As for the newspaper segment, the Company entered into an agreement with 河北青年報社 (Hebei Youth Daily Newspaper Agency) on 13 February 2006 in respect of the establishment of 河北河青傳媒有限責任公司 (Hebei Heqing Media Corporation Limited (“Heqing Media”), which principally involved in the advertising, printing and distribution business of 河北青年報 (“Hebei Youth Daily”). The Company will consider to acquire the advertising businesses of “Legal Evening Post” and other publications of Beijing Youth Daily Newspaper Agency (“BYD”) at proper time according to its objective and expansion plans.

The Company is seeking to acquire businesses of billboard companies, striving for penetrating into billboard business segment before 2008 Olympic Games, so as to further increase its income stream. The Company is currently considering and preparing for the development of direct-mail advertising business. Backed by its experience in the organization of large-scale events, the Group will also explore the potential of this business segment.

In addition, the Company has been paying close attention to emerging media such as the internet and mobile phones, and is studying the feasibility of fusing the contents and technologies of the traditional and new media, so as to further expand its advertising market.

The Company is seeking to establish a more extensive and diversified media platform by the above development plans. Under the support of the Beijing municipal government, the Group and its staff as a whole will continue their effort to develop and establish more diversified income stream and build up a cross-media platform for the Group, so as to establish the Group as a leading cross-media corporation in the PRC and maximize the return to shareholders.

Financial Position and Business Results

1. Turnover

For the six months ended 30 June 2006, turnover of the Group was approximately RMB366,629,000 (corresponding period of 2005: RMB389,932,000), representing a decrease of approximately 6.0% from the corresponding period of 2005. Revenue from advertising decreased by approximately RMB 19,843,000, representing a decrease of approximately 7.8% from the corresponding period of 2005, mainly due to the austerity measures and relevant policies and regulations implemented by the PRC government and the new media’s diversifying the advertising shares of newspaper and magazine. As a result, the Company’s advertising revenue, especially the revenue from real estate sector, recorded a decline from the corresponding period of 2005. Revenue from printing business increased by approximately RMB3,519,000, representing an increase of approximately 8.3% from the corresponding period of 2005, while revenue from the trading of print-related materials decreased by approximately RMB6,979,000 representing a decrease of approximately 7.5% from the corresponding period of 2005.

2. Cost of Sales and Operating Expenses

For the six months ended 30 June 2006, the Group’s cost of sales was approximately RMB346,947,000 (corresponding period of 2005: RMB358,535,000), representing a decline of approximately 3.2% from the corresponding period of 2005. Operating expenses were approximately RMB23,068,000 (corresponding period of 2005: RMB24,037,000), representing a decline of approximately 4.0% from the corresponding period of 2005. Operating expenses represented approximately 6.3% (corresponding period of 2005: 6.2%) of the Group’s turnover for the First Half of 2006, comprising mainly sales and distribution expenses and administrative expenses.

In view of the decrease in advertising revenue resulting from adverse market conditions, the Company has implemented active cost control and savings policies and measures. Costs and expenses relating to advertising revenue for the First Half of 2006 decreased by approximately RMB11,339,000, representing a decline of approximately 4.3% from the corresponding period of 2005. Due to the growth of printing business, costs and expenses relating to printing revenue increased by approximately RMB1,527,000, representing an increase of approximately

4.1% from the corresponding period of 2005. Due to the decrease in the trading volume, costs and expenses relating to the trading of print-related materials decreased by approximately RMB2,745,000, representing a decline of approximately 3.3% from the corresponding period of 2005.

3. *Gross Profit*

For the six months ended 30 June 2006, the Group's gross profit amounted to approximately RMB19,682,000 (corresponding period of 2005: RMB31,397,000), representing a decline of approximately 37.3% from the corresponding period of 2005. Gross profit margin decreased to 5.4% (corresponding period of 2005: 8.1%).

4. *Other Gains – Net*

For the six months ended 30 June 2006, the other gains - net of the Group was approximately RMB21,872,000 (corresponding period of 2005: RMB12,737,000), representing an increase of approximately 71.7% from the corresponding period of 2005, mainly due to the increase in interest income received from bank deposit.

5. *Finance Expenses*

For the six months ended 30 June 2006, the finance expenses of the Group was approximately RMB10,244,000 (finance income for the corresponding period of 2005: RMB1,287,000), representing an increase in cost of approximately 896.0% from the corresponding period of 2005. The finance expenses mainly comprised of the Group's exchange loss of approximately RMB9,680,000 in First Half of 2006 arising from the Hong Kong Dollar deposits (exchange gain for the corresponding period of 2005: RMB1,569,000) as a result of Renminbi appreciations.

6. *Profit Attributable to Shareholders*

For the six months ended 30 June 2006, the profit attributable to shareholders of the Group was approximately RMB5,662,000 (corresponding period of 2005: RMB170,000), representing an increase of approximately 3,231.0% from the corresponding period of 2005.

7. *Non-current Assets*

As at 30 June 2006, the non-current assets of the Group amounted to approximately RMB10,006,000 (31 December 2005: negative RMB14,016,000) which mainly comprised of fixed assets, prepayment for land use rights and intangible assets of approximately RMB17,010,000 (31 December 2005: RMB16,836,000), RMB32,759,000 (31 December 2005: RMB33,202,000) and RMB25,912,000 (31 December 2005: RMB5,387,000) respectively. Share of net liabilities of a jointly controlled entity amounted to approximately RMB67,744,000 (31 December 2005: RMB71,510,000) and available-for-sale financial assets amounted to approximately RMB2,069,000 (31 December 2005: RMB2,069,000).

8. *Net Current Assets*

As at 30 June 2006, the Group's net current assets amounted to approximately RMB1,287,612,000 (31 December 2005: RMB1,347,194,000). Current assets mainly comprised of cash and cash equivalents of approximately RMB315,079,000 (31 December 2005: RMB284,733,000), short-term bank deposits of approximately RMB946,962,000 (31 December 2005: RMB1,073,933,000), restricted bank deposits of approximately RMB151,736,000 (31 December 2005: RMB56,000,000), inventory of approximately RMB50,146,000 (31 December 2005: RMB59,998,000) as well as trade receivables and other receivables, prepayments and deposits of approximately RMB159,225,000 (31 December 2005: RMB129,117,000). Current liabilities mainly comprised of unsecured short-term bank loan of approximately RMB20,000,000 (31 December 2005: RMB20,000,000), trade payables, other payables and accruals of approximately RMB75,955,000 (31 December 2005: RMB65,525,000) and RMB227,065,000 (31 December 2005: RMB157,919,000) respectively, and taxation payable of approximately RMB7,516,000 (31 December 2005: RMB5,123,000).

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
Guarantees for bank loans of a jointly controlled entity	151,736	56,000

On 11 August 2005 and 11 August 2006, the Company entered into extended pledge agreements with China Minsheng Banking Corporation Limited (“Minsheng Banking”), pursuant to which the Company pledged fixed-term deposits in the sum of RMB56,000,000 as a security over a loan facility of US\$6,000,000, or RMB equivalent, granted to COL by Minsheng Banking.

On 21 March 2006, the Company entered into a pledge agreement with Minsheng Banking, pursuant to which the Company pledged fixed-term deposits in the sum of HK\$79,000,000 as a security over a loan facility of RMB71,000,000 granted to COL by Minsheng Banking.

On 1 June 2006, the Company entered into a pledge agreement with Minsheng Banking, pursuant to which the Company pledged fixed-term deposits in the sum of HK\$14,000,000 as a security over a loan facility of RMB12,500,000 granted to COL by Minsheng Banking.

On 11 August 2006, the Company entered into a pledge agreement with Minsheng Banking, pursuant to which the Company pledged fixed-term deposits in the sum of HK\$8,950,000 as a security over a loan facility of RMB8,050,000 granted to COL by Minsheng Banking.

On 18 August 2006, the Company entered into a pledge agreement with Minsheng Banking, pursuant to which the Company pledged fixed-term deposits in the sum of HK\$9,000,000 as a security over a loan facility of RMB8,200,000 granted to COL by Minsheng Banking.

The Company has agreed to provide financial assistance to COL for the financing of the payment of the ATP and WTA licence fee. In relation to other operating costs of COL for the organisation of the China Open tennis tournaments, in the event that COL requires financing for such costs, the Company and TTHL have agreed to provide financial assistance to COL in accordance with their respective shareholding percentage ratios in COL.

The management anticipates that no material liability will arise from the above guarantees and financial assistance arising in the ordinary course of business.

FOREIGN EXCHANGE RISKS

Most of the Group’s revenues and operating costs were denominated in RMB. As the proceeds from the issue of new shares in December 2004 were received in Hong Kong dollars, the Group is exposed to foreign exchange risks as a substantial portion of short-term bank deposits and restricted bank deposits are denominated in Hong Kong dollars. For the six months ended 30 June 2006, the Group had an exchange loss of approximately RMB9,680,000 (exchange gain for the corresponding period of 2005: RMB1,569,000). The Group’s operating cash flow or liquidity is not subject to any exchange rate fluctuations. The Group did not enter into any foreign exchange hedging arrangements as at 30 June 2006.

STAFF

As at 30 June 2006, the Group had a total of 368 staff (as at 31 December 2005: 159 staff), whose remuneration and benefits are determined based on market rates, State policies and individual performance. The increase in number of staff was mainly due to the addition of staff from “39.2 Degree” youth magazine and Heqing Media.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period from 22 December 2004, the listing date, to the date of this interim report, none of the Company or any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board of the Company believes that the Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the First Half of 2006.

COMPLIANCE WITH “MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS”

The Company has adopted the Standard Code set out in Appendix 10 of the Listing Rules (“Standard Code”) regarding securities transactions of Directors and Supervisors. The Company has made throughout enquiry of the Directors and Supervisors and all Directors and Supervisors have confirmed with the Company that they have complied with the Standard Code.

MATERIAL LITIGATION AND ARBITRATION

So far as the Directors are aware, the Company was not involved in any material litigation or arbitration and no litigation or claim was pending or threatened against the Company as at 30 June 2006.

CHANGES IN THE BOARD OF DIRECTORS AND THE SUPERVISORY COMMITTEE

The following resolutions have been considered and approved as ordinary resolutions at the AGM on 20 June 2006:

1. The granting of consent to the resignation of Mr. Johanne Louw Malherbe as a non-executive director of the Company and the election of Mr. Abraham van Zyl as a non-executive director of the Company.
2. The granting of consent to the resignation of Mr. Zhu Yaoting as a supervisor of the Company and the election of Mr. Gao Zhiyong as a supervisor of the Company.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group with the management of the Company. In addition, the Audit Committee has discussed with the Directors matters concerning the internal controls and financial reporting of the Company, including a review of the unaudited condensed consolidated interim financial information of the Group for the 6 months ended 30 June 2006 and the interim report with no disagreement.

DISCLOSURE OF INFORMATION ON THE HONG KONG STOCK EXCHANGE’S WEBSITE

The Company’s interim report for the First Half of 2006 will be published on the Hong Kong Stock Exchange’s website (<http://www.hkex.com.hk>).

By Order of the Board

ZHANG Yanping

Chairman of the Board of Directors

25 August 2006 Beijing, China

The board of directors of the Company comprises of: the executive directors of the Company are Zhang Yanping, Zhang Yabin, Sun Wei, He Pingping, Du Min, the non-executive directors of the Company are Liu Han, Xu Xun, Abraham van Zyl and the independent non-executive directors of the Company are Tsang Hing Lun, Wu Changqi and Liao Li.

“Please also refer to the published version of this announcement in The Standard.”