



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, commands 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").

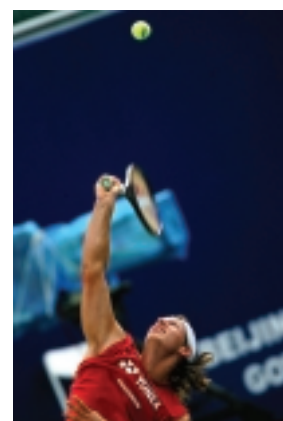
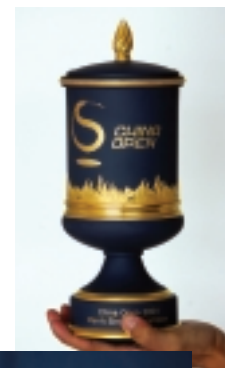
Advertising Business

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB'000	2003 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.