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)	**Office equipment**	**Motor vehicles**	**2004 Total**
	RMB'000	*RMB'000*	*RMB'000*	*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	2003
	RMB'000	*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	Effective interests held 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	Group As at 31 December 2003 RMB'000
Share of net liabilities	**(37,743)**	–

	Company As at 31 December 2004 RMB'000	Company As at 31 December 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	2003
	RMB'000	*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.