BUSINESS REVIEW

The Group is principally engaged in three core businesses: (1) advertising sales, which contribute the largest portion of the 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.

Total turnover of the Group for 2006 was approximately RMB792,492,000, representing a decrease of 7.6% from 2005. Profit attributable to shareholders was approximately RMB21,917,000, representing an increase of 117.3% from 2005.

The overall results of the Group decreased during the year 2006 mainly due to the fact that the advertisement sector of the PRC paper media recorded an overall slowdown in growth as a result of the diversification of advertising volume with evolvement of new media such as internet and outdoor advertisements. In particular, intensified competition within the Beijing newspaper market, the austerity measures on real estate, decrease in the number of project approval and delay in sales activities resulted in a drop in advertising revenue which is the primary income stream of Beijing Media's core business, with advertising revenue related to the real estate sector falling substantially. Advertising revenue of the Company for 2006 was approximately RMB509,076,000, representing a decrease of 13.7% as compared with 2005. Profit attributable to shareholders experienced an increase, primarily due to the increase of government subsidy and interest income, and the decrease in the loss of jointly controlled entity.

INDUSTRY REVIEW

For the year 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. 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 in 2006. 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 慧聰國際資訊有限公司 ("Hui Cong International Information Co., Ltd.") the overall growth of advertising sales in newspapers and magazines continued to slow down in 2006.

Due to the continuous decrease in the number of advertisements placed by major clients in the real estate sector in Beijing, the advertising business of the Group encountered serious challenges in 2006. Turnover of the advertising businesses of "Beijing Youth Daily" recorded a year-on-year drop of 15.2% for 2006.

In 2007, the Group will continue to focus on its core business of providing newspaper advertising services. In addition, the Group will also be committed to cross-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.

2006 LATEST DEVELOPMENT OF NEW BUSINESS

The Company entered into an agreement with Hebei Youth Daily Agency ("河北青年報社") on 13 February 2006 in respect of the establishment of Hebei Heqing Media Corporation Limited ("Heqing Media"), which is principally engaged in the advertising, printing and distributing ("wholesaling") business of Hebei Youth Daily ("河北青年報"). The establishment of Hebei Heqing Media Corporation Limited is a crucial step in the Group's strategy for cross-regional operation after its listing. Currently, the advertising business of Hebei Youth Daily is on a steady growth track.

ADVERTISING BUSINESS

For 2006, turnover from advertising sales of the Group amounted to approximately RMB509,076,000, accounting for 64.2% of the total turnover and representing a decrease of 13.7% from 2005.

The Group's revenue generated from advertising was mainly attributable to Beijing Youth Daily. For 2006, revenue from real estate advertising generated by Beijing Youth Daily decreased by 32.1% from 2005 to approximately RMB174,076,000 as a result of the austerity measures and relevant policies and regulations continuously reinforced by the PRC government and the new media's diversifying the advertising shares of newspaper and magazine. However, in the previous year, 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. At the same time, through expanding the Company's exploration in other advertising industries, together with its privilege at providing multi-media platform, the revised incentives and control system in management and adjustment of its advertising structure, the Group achieved a satisfactory result. The downward trend of revenue from advertisement in 2006 decreased significantly over the previous year.

Revenue of Hebei Youth Daily generated from advertising has been growing steadily, with a revenue of approximately RMB6,488,000 for 2006.

Apart from Beijing Youth Daily and Hebei 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 and "39.2 Degree" youth magazine.

PRINTING BUSINESS AND TRADING OF PRINT-RELATED MATERIALS

The Group is engaged in the printing business and trading of print-related materials through BYD Logistics. For 2006, turnover from the printing business and trading of print-related materials amounted to approximately RMB96,030,000 and RMB186,205,000 respectively, representing an increase of approximately 6.1% and 5.3% respectively from 2005.

ORGANISATION OF LARGE-SCALE EVENTS

China Open Promotion Company Limited ("COL"), a jointly controlled joint entity established by the Company, successfully organized the third China Open tournament in 2006, which attracted world-renowned tennis players such as Marcos Baghdatis, Mario Ancic, Svetlana Kuznetsova and Amelie Mauresmo. The 16-day tournament attracted a live audience of approximately 210,000 and was broadcasted via CCTV-5 to approximately 90 countries and regions.

北京青年报
BEIJING YOUTH DAILY
共同谱写和平发展合作新篇章
机动车使用税上限提高一倍
带着"微笑圈"走进新年
城镇土地使用税调高两倍
卡拉OK版权计费今天开始

BEIJING TODAY
It's the art, not the sexy pictures. Tang Jiali bares all, or rather doesn't
Abandoned animals to be given snip
Drivers use anti-paparazzi glue to stick it to the cops

中学时事报
MIDDLE SCHOOL TIMES
三峡封顶
川江从此夜夜航
高峡平湖拦狂飙

北京少年报
BEIJING CHILDREN'S WEEKLY
人有人言 网有网语
打招呼！先下手为强

ORGANISATION OF LARGE-SCALE EVENTS *(Continued)*

On 18 March 2006, the Company, COL, TOM Group Limited ("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 product sales. In consideration, COL will be responsible for the payment of an aggregate ATP and WTA licence fee of US$1,200,000 per year to Champion and Swidon. On the same day of the Authorization Agreement, Media Serv Limited ("MSL"), Media Serv Asia Pacific Limited ("MSAP"), the Company and COL entered into an agreement ("Termination Agreement") to terminate all existing agreements and arrangements relating to the organisation of the China Open.

Upon completion of the third China Open in 2006, on 10 April 2007, COL entered into agreements with BYDA, TOM and Tennis Management Limited ("TML") in connection with the proposed acquisitions by COL of TML's 100% interest in Champion and Swidon, who are the relevant ATP Tour, Inc and WTA Tour, Inc memberships holders, respectively. The agreements were subject to the approval of the independent shareholders. The Company, COL, TOM, TTHL, Champion and Swidon entered into a termination agreement on the same day to terminated the arrangement contemplated under the above agreement, details of which are set out in the announcement by the Company dated 11 April 2007.

PROSPECTS AND FUTURE PLANS

The Group experienced one of its most difficult periods in 2006 as a result of the diversification of advertising volume with evolvement of new media such as internet and outdoor advertisements. Looking forward into 2007, we expect that the PRC advertising industry will maintain a healthy growth. In light of the impending 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 strengthen its cooperation with media of outdoor advertisements and internet and at the same time endeavor to diversify its income streams, such as through expansion into operations of new newspapers, topic-focused magazines, outdoor billboards, large-scale events and outdoor advertisements.

In respect of the development of topic-focused magazines, the Group launched "39.2 Degree", a youth magazine in January 2006. The Company also plans to launch other topic-focused magazines with market and profit potential in 2007.

As for the newspaper segment, Beijing Leisure Trend Advertising Company Limited ("Leisure Trend"), a subsidiary of the Company, entered into a Cooperation Agreement with Legal Evening Post, a wholly owned subsidiary of Beijing Youth Daily Newspaper Agency on 28 December 2006, pursuant to which Leisure Trend is entitled to be the exclusive agency of the advertisement section for business and tourism of Legal Evening Post for a term of one year since 1 January 2007. The advertising agency entitlement amount undertaken under the contract shall not exceed RMB10,000,000. The Company will also seek to acquire the advertising businesses of other publications as it thinks fit.

The Company is seeking to diversify its income streams by placing outdoor billboards along main roads. 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. Despite a contraction in its revenue for 2006 when compared with the previous year, the Group and its staff as a whole will continue their efforts to develop and establish more diversified income streams and build up a multi-media platform for the Group, so as to establish the Group as a leading cross-media corporation in the PRC and maximize the returns to shareholders.

Capitalizing on the staunch support of the Beijing Municipal Government and the concerted efforts of the staff, the Group will further expand its multi-media platform with the aim of becoming a leading cross-media corporation in the PRC.

FINANCIAL POSITION AND BUSINESS RESULTS

1. Turnover

Turnover of the Group for 2006 was approximately RMB792,492,000 (2005: RMB857,607,000), representing a decrease of approximately 7.6% from 2005. Revenue from advertising dropped by approximately RMB81,127,000 or approximately 13.7%, mainly due to a drop in advertising income of the Group, real estate advertisements in particular, arising from the diversification of advertising volume of newspaper and magazine advertisements with evolvement of new media such as internet, the intensified competition within the Beijing newspaper market, and the reinforced austerity measures of the PRC government. Revenue from printing business increased by about RMB5,536,000, representing an increase of 6.1% from 2005, while revenue from the trading of print-related materials increased by about RMB9,295,000, representing an increase of 5.3% from 2005.

2. Cost of Sales and Operating Expenses

The Group's cost of sales for 2006 was approximately RMB730,968,000 (2005: RMB762,126,000), representing a decrease of 4.1% from 2005. Operating expenses were approximately RMB69,904,000 (2005: RMB48,362,000), representing an increase of 44.5% from 2005. Operating expenses represented 8.8% (2005: 5.6%) of the Group's turnover for 2006, comprising mainly selling and distribution expenses and administrative expenses.

In view of the decrease in advertising revenue resulting primarily from adverse market condition, the Company has implemented active cost control and savings policies and measures. Costs and expenses relating to advertising revenue for 2006 decreased by approximately RMB25,814,000, representing a decrease of approximately 4.6%, from 2005. Due to the increase in volume of printing activities, costs and expenses relating to printing revenue increased by approximately RMB1,355,000, representing an increase of 1.7%, from 2005. Due to the increase in volume of trading of print-related materials activities, costs and expenses relating to the trading of print-related materials increased by approximately RMB9,285,000, representing an increase of 5.6%, from 2005.

3. Gross Profit

For 2006, the Group's gross profit amounted to approximately RMB61,524,000 (2005: RMB95,481,000), representing a decrease of 35.6% from 2005. Gross profit margin decreased to 7.8% (2005: 11.1%).

4. Profit Attributable to Shareholders

For 2006, the profit attributable to shareholders was about RMB21,917,000 (2005: RMB10,087,000), representing an increase of 117.3% from 2005.

5. Final Dividend

The Board of Directors of the Company (the "Board") recommends the distribution of a final dividend of RMB0.20 per share (2005: RMB0.25 per share).

6. Non-current Assets

As at 31 December 2006, the non-current assets of the Group amounted to approximately RMB11,984,000 (31 December 2005: negative RMB14,016,000) which mainly comprised of property, plant and equipment, prepayments for land use rights, and intangible assets of approximately RMB20,737,000 (31 December 2005: RMB16,836,000), RMB32,317,000 (31 December 2005: RMB33,202,000), and RMB25,463,000 (31 December 2005: RMB5,387,000) respectively. Share of net liabilities of a jointly controlled entity amounted to approximately RMB82,453,000 (31 December 2005: RMB71,510,000) and available-for-sale financial assets amounted to approximately RMB2,069,000 (31 December 2005: RMB2,069,000) are also included. Long-term receivables amounted to approximately RMB13,851,000 (31 December 2005: Nil).

FINANCIAL POSITION AND BUSINESS RESULTS *(Continued)*

7. Net Current Assets

As at 31 December 2006, the Group's net current assets amounted to approximately RMB1,299,743,000 (31 December 2005: RMB1,347,194,000). Current assets mainly comprised of cash and cash equivalents of approximately RMB286,923,000 (31 December 2005: RMB284,733,000), short-term bank deposits of approximately RMB890,606,000 (31 December 2005: RMB1,073,933,000), restricted bank deposits of approximately RMB217,953,000 (31 December 2005: RMB56,000,000), inventory of approximately RMB38,602,000 (31 December 2005: RMB59,998,000) as well as trade receivables and other receivables, prepayments and deposits of approximately RMB147,641,000 (31 December 2005: RMB129,117,000). Current liabilities mainly comprised of unsecured short-term bank loans of RMB28,000,000 (31 December 2005: RMB20,000,000), trade payables, other payables and accruals and taxation payable of approximately RMB74,463,000 (31 December 2005: RMB65,525,000), RMB180,165,000 (31 December 2005: RMB157,919,000) and negative RMB646,000 (31 December 2005: RMB5,123,000) respectively. Current portion of long-term liabilities was RMB0 (31 December 2005: RMB8,020,000).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, the Group has maintained a stable cash flow. The Group's cash and cash equivalents and short-term bank deposits were totaling approximately RMB1,177,529,000 (31 December 2005: RMB1,358,666,000). The debt-to-equity ratio, (defined as a percentage of net interest-bearing borrowings over capital and reserves attributable to the Company's equity holders) was 2.2% as at 31 December 2006 (31 December 2005: 1.5%).

EQUITY-TO-DEBT RATIO

As at 31 December 2006, the Group's equity-to-debt ratio was 465.2% (31 December 2005: 519.6%). (Ratio derived from dividing the Group's total equity by its total liabilities).

TAXATION

For the year ended 31 December 2006, the Group's taxation expenses were approximately RMB8,504,000 (2005: RMB7,252,000), representing an increase of approximately 17.3%. Owing to the combined effect of decreased amount of non-deductible investment losses and tax losses of subsidiaries for which no deferred income tax asset was recognised, the effective tax rate applicable to the Group dropped from 30.7% in 2005 to 27.9% in 2006. The taxation authority in the PRC has granted the Company a tax exemption of five years effective from 1 January 2004.

BANK BORROWINGS, OVERDRAFTS AND OTHER BORROWINGS

As at 31 December 2006, unsecured short-term bank loans amounted to RMB28,000,000 (31 December 2005: RMB20,000,000), which bears an interest of 5.42% p.a. (2005: 5.58% p.a.) and is repayable within one year.

FINANCE COSTS

Finance costs of the Group for 2006 were approximately RMB32,619,000 (2005: RMB21,021,000), including exchange losses of approximately RMB31,431,000 (2005: RMB20,272,000).

USE OF PROCEEDS FROM LISTING

The Company raised 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 31 December 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 9.24 million
Investing in the television industry in Beijing	Approximately 250 million	not used
Acquisition of other media businesses	Approximately 360 million	Approximately 17.5 million
General working capital	Approximately 80 million	Approximately 80 million

As at 31 December 2006, a substantial part of the proceeds of the Company had not been utilized 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 slowed down the development of the Company in such industry;
- The Company has spent considerable time on negotiation concerning a number of acquisitions because media industries, particularly newspapers and other media, are sensitive industries and are subject to many limitations imposed by the relevant authorities in the PRC.

Nevertheless, during 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 for business development in 2007.

CAPITAL STRUCTURE

	Number of Shares	Percentage of total share capital (%)
Holders of Domestic Shares		
– BYDA	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%
	142,409,000	72.18%
H Shares in issue *(note)*	54,901,000	27.82%
Total share capital	197,310,000	100%

Note: Including 19,533,000 H Shares in issue held by MIH Print Media Holdings Limited, representing 9.90% of the total share capital.

INVESTIGATION FINDINGS OF THE INDEPENDENT FINANCIAL ADVISOR

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 to conduct an internal investigation on the possible financial impact of this incident on the Company's financial positions. 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 were announced on 29 December 2006. The Company believes that the allegations against the six employees have no significant effect on the financial positions of the Company.

CAPITAL EXPENDITURES

Capital expenses of the Group for 2006 included expenditures on office equipment and operating rights of approximately RMB7,397,000 (2005: RMB1,461,000) and RMB20,000,000 (2005: nil) respectively. The Group expects capital expenditures for 2007 mainly comprise expenditure consistent with business strategies.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

	The Group As at 31 December	
	2006 RMB'000	2005 RMB'000
Guarantees for bank loans of a jointly controlled entity	**167,468**	56,000

	The Company As at 31 December	
	2006 RMB'000	2005 RMB'000
Guarantees for bank loans of a jointly-controlled entity	**167,468**	56,000
Guarantees for bank loans of subsidiaries	**28,000**	20,000
Guarantees for credit line facilities of a subsidiary	**30,000**	30,000

For the year ended 31 December 2006, the Company pledged its fixed deposits in sum of RMB167,468,000 as security over the loan facilities of RMB148,350,000 granted to COL by China Minsheng Banking Corporation Limited ("Minsheng Banking").

On 26 August 2006, the Company provided a loan guarantee in the amount of RMB20,000,000, in favour of the China CITIC Bank on a bank loan to BYD Logistics.

On 26 August 2006, the Company provided a guarantee in the amount of RMB30,000,000, in favour of the provider of a RMB30,000,000 credit line facility to BYD Logistics.

As at 31 December 2006, the Company provided the loan guarantees in sum of RMB8,000,000 in favour of the China Everbright Bank on bank loans to Heqing Media.

The Company has agreed to provide financial assistance to COL for the financing of the payment of the ATP and WTA license fee. In relation to other operating costs of COL for the organization 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.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS *(Continued)*

It is not anticipated that any material liabilities will arise from the above guarantees other than those provided for as at balance sheet dates.

Based on historical experience, no claims have been made against the Company and its subsidiaries since the dates of granting the financial guarantees described above.

As at 31 December 2006, the financial assistance from the Company to COL and guarantees for its finance cost amounted over 8% of the total assets of the Company. As required by Rule 13.22 of the Listing Rules, the balance sheets of COL (including its major items) as at 31 December 2006 and the equity of COL attributable to the Company will be set out in note 17 to the consolidate financial statements of this annual report.

FOREIGN EXCHANGE RISKS

Substantially all of the Group's revenues and operating costs were denominated in RMB. As the proceeds from the new issue of shares in December 2004 were received in Hong Kong dollars, the Group has exposed to foreign currency risk as a substantial portion of cash and cash equivalents are denominated in Hong Kong dollars. As at 31 December 2006, the Group had exchange loss of approximately RMB31,431,000 (2005: RMB20,272,000). 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 31 December 2006.

The Company will closely monitor its exposure arising from changes in exchange rate.

STAFF

As at 31 December 2006, the Group had a total of 502 staff (31 December 2005: 159), whose remuneration and benefits are determined based on market rates, State policies and individual performance. The increase was mainly attributable to the incorporation of staff of a juvenile magazine "39.2 Degree", and Heqing Media.

DISCLOSURE OF SHAREHOLDING INTEREST OF DIRECTORS, SUPERVISORS, CHIEF EXECUTIVE OFFICER AND SENIOR MANAGEMENT

After thorough enquiries of the Directors of the Company, the Company believes that, as at 31 December 2006, none of the Directors, Supervisors, the Chief Executive Officer and Senior Management of the Company had any shareholding interest and short positions in the shares, underlying shares and debentures in the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance).

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 annual report, none of the Company or any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

COMPLIANCE WITH THE "MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS"

The Company has adopted the Model Code regarding securities transactions by Directors and Supervisors ("Model Code") as set out in Appendix 10 to the Listing Rules. Having made sufficient enquiry of all Directors and Supervisors, all Directors and Supervisors confirmed they have complied with the required standards under the Model Code.

CHANGE OF MEMBERS OF THE BOARD AND THE SUPERVISORY COMMITTEE

Resolutions have been passed at the Annual General Meeting as at 20 June 2006, in relation to:

1. The granting of consent to the resignation of Mr. Johannes Louw Malherbe as the non-executive director of the Company and the election of Mr. Abraham Van Zyl as the non-executive director of the Company;

2. The granting of consent to the resignation of Mr. Zhu Yaoting as the supervisor of the Company and the election of Mr. Gao Zhiyong as the supervisor of the Company.

EXEMPTION FROM COMPLIANCE WITH THE LISTING RULES

Save as disclosed in the Prospectus, the Company has not been granted any exemption from compliance with the Listing Rules.

AUDIT COMMITTEE

Pursuant to the requirements of the Listing Rules, the Company has set up an Audit Committee to review, supervise and adjust the financial reporting process and internal controls of the Group. The Audit Committee comprises two independent non-executive Directors and one non-executive Director.

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 on matters concerning the internal controls and financial reporting of the Company, including a review of the annual consolidated financial statements of the Group for 2006 without dissenting opinions.