1. GENERAL INFORMATION

The Company was incorporated in the People's Republic of China (the "PRC") on 28 May 2001 as a joint stock company with limited liability under the PRC Company Law. 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 and trading of print-related materials in the PRC.

The Company is listed on The Stock Exchange of Hong Kong Limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

(a) *Amendments to published standards effective in 2006*
The following new amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2006:

- Amendment to Hong Kong Accounting Standards ("HKAS") 39 and HKFRS 4, Amendment Financial guarantee contracts, effective for annual periods beginning on or after 1 January 2006. These amendments had no material impact to the accounting policies of the Group; and

- HK(IFRIC)-Int 4, Determining whether an arrangement contains a lease, effective for annual periods beginning on or after 1 January 2006. This interpretation had no material impact to the accounting policies of the Group. Management will continue to assess the impact of this HK(IFRIC) Interpretation to the accounting policies of the Group for any further arrangements.

(b) *Standards, amendments and interpretations effective in 2006 but not relevant for the Group's operations*
The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- HKAS 21 Amendment – New Investment in a Foreign Operation;
- HKAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 Amendment – The Fair Value Option;
- HKFRS 6, Exploration for and Evaluation of Mineral Resources;
- HKFRS 1 Amendment – First-time Adoption of Hong Kong Financial Reporting Standards;
- HK(IFRIC)-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) *Standards, interpretation and amendments to published standards that are not yet effective*

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the accounting periods of the Group beginning on or after 1 January 2007 or later periods but which the Group has not early adopted. These are summarized as follows:

- HKFRS 7, Financial Instruments: Disclosures and a complementary amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures (effective from annual periods beginning on or after 1 January 2007). HKFRS 7 introduces new disclosures relating to financial instruments. This standard introduces certain revised disclosure requirements, including the mandatory disclosures on sensitivity analysis for each type of market risk. It replaces HKAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32, Financial Instruments: Disclosure and Presentation and is applicable to all entities reporting under HKFRS. The amendment to HKAS 1 introduces disclosures on the objectives, policies and processes for managing capital. Except for an extension of disclosures, management considered there was no significant impact from adopting HKFRS 7 and the amendment to HKAS 1 on the financial statements of the Group and will apply these standards from 1 January 2007.

- HKFRS 8, Operating Segments (effective from periods beginning on or after 1 January 2009). This standard replaces HKAS 14, Segment Reporting and specifies how an entity should report information about its operating segments in annual financial statements and, as a consequential amendment to HKAS 34, Interim Financial Reporting, requires an entity to report selected information about its operating segments in interim financial reports. This standard also sets out requirements for related disclosures about products and services, geographical areas and major customers. Management is currently assessing the impact of this HKFRS on the accounting policies of the Group. The Group will apply HKFRS 8 from 1 January 2009.

- HK(IFRIC) Interpretation 10, Interim Financial Reporting and Impairment (effective from annual periods beginning on or after 1 November 2006). This interpretation prohibits the impairment losses recognized in a previous interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at subsequent balance sheet dates. Management is currently assessing the impact of this HK(IFRIC). The Group will apply HK(IFRIC) Interpretation 10 from 1 January 2007.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(a) Subsidiaries (Continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (note 2.7a). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (note 2.8). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Transaction with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) 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 income statement includes the Group's share of the results of the 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 on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in the 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 investment in the jointly controlled entity is stated at cost less provision for impairment losses (note 2.8). The result of the jointly controlled entity is accounted for by the Company on the basis of dividend received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Office equipment	5–6 years
Motor vehicles	5–6 years
Leasehold improvements	Over the lease period

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other gains – net, in the income statement.

2.6 Prepayments for land use rights

The payments for land use rights are stated at cost initially and expensed based on total prepayments on a straight-line basis over the period of lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/jointly controlled entity at the date of acquisition. Goodwill is included in intangible assets. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Operating right

Acquired operating right is shown at historical cost. The operating right has a finite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the operating right over its estimated useful lives of 30 years. The amortization period and the amortization method are reviewed, and adjusted if applicable, at each balance sheet date.

(c) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of 3 years.

2.8 Impairment of investments in subsidiaries, jointly controlled entity and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognized on the trade-date the date on which the Group commits to purchase or sell the assets. Available-for-sale financial assets are initially recognized at fair value plus transaction costs and are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in the income statement as gains or losses from investment securities. Dividends on available-for-sale equity instruments are recognized in the income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Available-for-sale financial assets *(Continued)*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement – is removed from equity and recognized in the income statement. The amount of the impairment loss on financial assets carried at cost is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable 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 realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2.11 Trade and other receivables

Trade and other receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other 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 the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within administrative expenses. When a trade receivable and other receivable is uncollectible, it is written off against the allowance accounts for trade receivables and other receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

2.12 Short-term bank deposits

Short-term bank deposits comprise cash invested in fixed-term deposits with original maturities ranging from more than 3 months to one year. Short-term bank deposits are classified as held-to-maturity investments and are carried at amortized cost. Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowing costs are expensed as incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Employee benefits

(a) Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organized by relevant municipal governments in the PRC. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees payables 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.

(b) 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, etc. The Group is 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. Contributions to these benefits are expensed as incurred.

2.17 Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added tax if any, rebates and discounts and after eliminating sales within the Group. The fair value is determined by discounting all future receipts using an imputed rate of interest. Revenue is recognized as follows:

(a) Revenue from advertising contracts is generally recognized rateably over the period in which the advertisement is displayed.

(b) Revenue from trading of print-related materials and distribution of newspapers and magazines, net of value-added tax is recognized upon 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.

(c) Revenue from printing, net of value-added tax is recognized when the service is provided.

(d) A government grant is recognized when there is a reasonable assurance that the Group has complied with the conditions attaching with it and that the grant will be received.

(e) Interest income is recognized on a time proportion basis, using the effective interest method.

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

2.18 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight line basis over the period of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Financial guarantee contracts

(a) *Classification*

The Company issues financial guarantee contracts that transfer significant insurance risk.

Financial guarantee contracts are those contracts that require the issuer to make specified payments to reimburse the holders for losses they incur because specified debtors fail to make payments when due in accordance with the original or modified terms of debt instruments.

(b) *Liability adequacy test*

The Group performed liability adequacy tests at each balance sheet date to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and related administrative expenses are used. Any deficiency is immediately charged to income statement and by subsequently establishing a provision for losses arising from adequacy test.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.21 Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resource embodying economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefit is probable.

2.22 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.

2.23 Deferred taxation

Deferred income tax 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. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using income tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

3. FINANCIAL AND INSURANCE RISKS MANAGEMENT

3.1 Financial risk factors

The Group is exposed to market risk arising from changes in foreign exchange rates and credit risk. The Group does not use any derivative financial instruments to manage those risks.

(a) *Foreign exchange risk*

The Group is exposed to foreign exchange risk as significant portion of its cash balances are denominated in Hong Kong dollars ("HKD"). Fluctuation of the exchange rates of RMB against foreign currencies could effect the Group's results of operations. Under the current foreign exchange system in the PRC, the Group is not able to hedge effectively against currency risks.

(b) *Credit risk*

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products and services provided are made to customers with an appropriate credit history.

3.2 Insurance risk factor

The risk relates to the financial guarantees provided to banks or other parties by the Company on the borrowings and liabilities of subsidiaries and a jointly controlled entity. The risk under the financial guarantee contract is the possibility that the insured event (default of a specified debtor) occurs and the uncertainty of the amount of the resulting claims. By the nature of a financial guarantee contract, this risk is predictable.

The Company maintains a close watch on the financial position and liquidity of the subsidiaries and the jointly controlled entity for which financial guarantees have been granted in order to mitigate such risks. The Company takes all reasonable steps to ensure that they have appropriate information regarding any claim exposures.

3.3 Fair value estimation

The fair value of financial instruments traded in active market is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term liabilities. Other techniques, such as estimated discounted cash flows, are used to determine fair values for the remaining financial instruments.

The carrying value less impairment provision of trade and other receivables, deposits, payables and short-term bank loans are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provision for doubtful debts

The Group makes estimates of the uncollectibility of the trade receivables. The Group specifically analyzes trade receivables, historical bad debts, customer credit-worthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. If the financial conditions of its customers were to deteriorate, actual write-offs might be higher than expected, and the Group would be required to revise the basis of making the allowance and its future results would be affected.

(b) Useful lives of property, plant and equipment

The management of the Group determine the estimated useful lives and related depreciation changes of its property, plant and equipment. This estimated is based on expected usage of the assets and physical wear and tear. The depreciation expense in the future periods will change if there are significant changes from previous estimates.

(c) Intangible assets

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.7. Intangible assets other than goodwill that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, in accordance with the accounting policy stated in note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculation. These calculations require the use of estimates and judgements including estimating future cash flows, determining appropriate discount rates, estimating the foreign exchange rates, projecting the future industry trends and market conditions and making other assumptions. Changes in these estimates and assumptions could affect the determination of the recoverable amount of cash-generating units.

(d) Liability adequacy test

The Group performed liability adequacy tests at each balance sheet date to ensure the adequacy of the contract liabilities, in accordance with the accounting policy stated in note 2.19. The liability adequacy test requires to use best estimated and judgements including estimating future cash flows, projecting the future industry trends and market conditions and making other assumptions. Changes in these estimates and assumptions could affect the determination of the adequacy of financial guarantee liabilities.

5. SEGMENT INFORMATION

(a) Primary reporting format – business segments

For the year end 31 December 2006, the Group is organized into four main business segments:

Advertising:	Sales of the advertising spaces in the newspapers published by Beijing Youth Daily Newspaper Agency (the "Ultimate Holding Company") and Hebei Youth Daily Newspaper Agency.
Printing:	Provision of printing services.
Trading of print-related materials:	Sales of paper, ink, lubricants, films, PS boards and rubber sheets for printing and other print-related materials.
Distribution:	Distribution of newspapers mainly published by Hebei Youth Daily Newspaper Agency.
Others:	It represents the China Open tennis tournaments event organized by China Open Promotion Co., Ltd ("COL").

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

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

5. SEGMENT INFORMATION *(Continued)*

(b) Segment results

The segment results for the year ended 31 December 2006 are as follows:

	Advertising *RMB'000*	Printing *RMB'000*	Trading of print-related materials *RMB'000*	Distribution *RMB'000*	Others *RMB'000*	Group *RMB'000*
Turnover (including inter-segment)	509,076	369,284	186,205	1,181	–	1,065,746
Less: inter-segment sales	–	(273,254)	–	–	–	(273,254)
Turnover to external customers	509,076	96,030	186,205	1,181	–	792,492
Segment results	(30,194)	16,155	10,036	(4,377)	–	(8,380)
Government grant	–	–	–	–	35,000	35,000
Unallocated other gain, net						47,421
Finance costs						(32,619)
Share of loss of a jointly controlled entity	–	–	–	–	(10,943)	(10,943)
Profit before income tax						30,479
Income tax expense						(8,504)
Profit for the year						21,975
Capital expenditure	26,081	–	2,045	–	–	28,126
Depreciation	2,773	–	615	5	–	3,393
Amortization charges	1,528	–	3	7	–	1,538
Other non-cash expenses	9,313	1,884	–	–	–	11,197
As at 31 December 2006						
Segment assets	1,293,124	88,707	67,675	6,634	–	1,456,140
Interest in a jointly controlled entity	–	–	–	–	(82,453)	(82,453)
Available-for-sale financial assets	–	–	2,069	–	–	2,069
Restricted bank deposits	–	–	–	–	217,953	217,953
Total assets						1,593,709
Segment liabilities	163,149	72,565	42,661	3,607	–	281,982

5. SEGMENT INFORMATION *(Continued)*

(b) Segment results *(Continued)*

The segment results for the year ended 31 December 2005 are as follows:

	Advertising	Printing	Trading of print-related materials	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(note 36)*	*RMB'000*
Turnover (including inter-segment)	590,203	388,779	176,910	–	1,155,892
Less: inter-segment sales	–	(298,285)	–	–	(298,285)
Turnover to external customers	590,203	90,494	176,910	–	857,607
Segment results	25,119	11,974	10,026	–	47,119
Unallocated other gain, net					31,264
Finance costs					(21,021)
Share of loss of a jointly controlled entity	–	–	–	(33,767)	(33,767)
Profit before income tax					23,595
Income tax expense					(7,252)
Profit for the year					16,343
Capital expenditure	1,005	–	419	–	1,424
Depreciation	2,077	–	661	–	2,738
Amortization charges	966	–	–	–	966
Other non-cash expenses	8,439	–	3	–	8,442
As at 31 December 2005					
Segment assets	1,468,741	47,295	87,170	–	1,603,206
Interest in a jointly controlled entity	–	–	–	(71,510)	(71,510)
Available-for-sale financial assets	–	–	2,069	–	2,069
Restricted bank deposits	–	–	–	56,000	56,000
Total assets					1,589,765
Segment liabilities	152,791	46,611	57,185	–	256,587

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

6. OTHER GAINS – NET

	Year ended 31 December	
	2006	2005
	RMB'000	*RMB'000*
Government grant [1]	**35,000**	–
Interest income	**45,937**	26,264
Rental income	**1,080**	1,865
Others	**404**	3,135
	82,421	31,264

Note:

(1) The amount represented the government grant to the Company in connection with the 2006 China Open tennis tournament.

7. EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analyzed as follows:

	Year ended 31 December	
	2006	2005
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment *(note 14)*	**3,393**	2,738
Amortization charges	**1,538**	966
Bad and doubtful debts	**11,197**	9,613
Loss of disposal of property, plant and equipment	**–**	10
Employee benefit expenses	**47,109**	28,440
Printing costs	**154,171**	155,378
Cost of inventories		
– printing	**189,699**	216,080
– trading	**170,799**	161,160
Operating leases rental in respect of buildings	**3,319**	1,793
Auditors' remuneration	**4,115**	5,059

8. FINANCE COSTS

	Year ended 31 December	
	2006	2005
	RMB'000	*RMB'000*
Interest expense on bank loans	**1,188**	749
Exchange losses	**31,431**	20,272
	32,619	21,021

9. TAXATION

(a) Enterprise income tax ("EIT")

The Group is not subject to Hong Kong profits tax since it has no assessable profit arising in or derived from Hong Kong for the year ended 31 December 2006 (2005: 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 providing 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. SHBQ is subject to EIT at the rate of 33%.

Beijing Leisure Trend Advertisement Company ("Leisure Trend") is an enterprise engaged in providing advertising services in the PRC. Leisure Trend is subject to EIT at the rate of 33%.

Hebei Heqing Media Corporation Limited ("Heqing Media") is an enterprise engaged in providing newspaper advertising service as well as printing and distribution business. Heqing Media is subject to EIT at the rate of 33%.

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

The amount of taxation charged to the consolidated income statement represents:

	Year ended 31 December	
	2006	2005
	RMB'000	*RMB'000*
Current taxation – PRC EIT	**8,504**	7,252

9. TAXATION *(Continued)*

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

The taxation of the Group's profit before income tax 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	
	2006	2005
	RMB'000	*RMB'000*
Profit before income tax	**30,479**	23,595
Calculated at the statutory rate of 33%	**10,058**	7,786
Effect of EIT exemption applicable to the Company	**(12,584)**	(12,490)
Expenses not deductible for taxation purposes	**1,199**	142
Effect of non-deductible investment losses	**3,611**	11,814
Tax losses for which no deferred income tax asset was recognized	**7,179**	–
Other	**(959)**	–
Income tax expense	**8,504**	7,252
Effective EIT rate	**27.9%**	30.7%

The Group did not recognize deferred income tax assets in respect of losses amounting to RMB21,755,000 due to uncertainty surrounding its realization. No deferred income taxes had been provided at each of the balance sheet dates as no significant temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

(b) Business tax ("BT")

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

(c) Value Added Tax

The Group's revenue of printing, trading and distribution 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 deductible input VAT.

10. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB45,710,000 (2005: RMB37,846,000).

11. DIVIDEND

At a board meeting held on 20 April 2007, the directors proposed a final dividend of RMB0.20 per ordinary share amounting to a total of RMB39,462,000. 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 2007.

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

12. EARNINGS PER SHARE

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

	For the year ended 31 December	
	2006	2005
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**21,917**	10,087
Weighted average number of ordinary shares in issue (thousands)	**197,310**	197,310
Basic earnings per share (RMB per share)	**0.11**	0.05

For the year ended 31 December 2006, as there were no potentially dilutive shares outstanding, there is no difference between basic and diluted earnings per share.

13. EMPLOYEE BENEFIT EXPENSES

	Group As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
Wages and salaries	**36,617**	20,801
Pension costs – defined contribution plans (a)	**3,441**	2,172
Others	**7,051**	5,467
	47,109	28,440

(a) Pension costs – defined contribution plans

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 upon their retirements. 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 2006 (2005: 20%) of the employees' basic salaries. Under this scheme, the Group has no obligation for post-retirement benefit beyond the annual contributions.

13. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) Directors' and supervisors' emoluments

The remuneration of each director and supervisor for the year ended 31 December 2006 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits (i)	Employer's contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ZHANG Yanping	–	500	–	–	61	19	580
ZHANG Yabin	–	450	–	–	28	10	488
SUN Wei	–	400	–	–	51	19	470
DU Min	–	350	–	–	46	19	415
HE Pingping	–	350	–	–	42	19	411
TSANG Hing Lun	50	–	–	–	–	–	50
WU Changqi	50	–	–	–	–	–	50
LIAO Li	50	–	–	–	–	–	50
LIU Han	20	–	–	–	–	–	20
XU Xun	20	–	–	–	–	–	20
Johannes Louw Malherbe (ii)	–	–	–	–	–	–	–
Abraham Van Zyl (iii)	–	–	–	–	–	–	–

Name of supervisor	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits (i)	Employer's contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
LI Shiheng	–	–	–	–	–	–	–
HE Daguang	–	–	–	–	–	–	–
ZHU Yaoting (iv)	–	–	–	–	–	–	–
LIU Yanfeng	–	134	–	–	24	17	175
ZHOU Fumin	–	–	–	–	–	–	–
Gao Zhiyong (iii)	–	–	–	–	–	–	–

13. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) Directors' and supervisors' emoluments *(Continued)*

The remuneration of each director and supervisor for the year ended 31 December 2005 is set out below:

Name of director	Fees *RMB'000*	Salary *RMB'000*	Discretionary bonuses *RMB'000*	Inducement fees *RMB'000*	Other benefits (i) *RMB'000*	Employer's contribution to pension scheme *RMB'000*	Total *RMB'000*
ZHANG Yanping	–	458	–	–	46	15	519
ZHANG Yabin	–	413	–	–	9	15	437
SUN Wei	–	367	–	–	38	15	420
DU Min	–	321	–	–	39	15	375
HE Pingping	–	321	–	–	9	4	334
TSANG Hing Lun	50	–	–	–	–	–	50
WU Changqi	50	–	–	–	–	–	50
LIAO Li	50	–	–	–	–	–	50
LIU Han	20	–	–	–	–	–	20
XU Xun	20	–	–	–	–	–	20
Johannes Louw Malherbe	20	–	–	–	–	–	20

Name of supervisor	Fees *RMB'000*	Salary *RMB'000*	Discretionary bonuses *RMB'000*	Inducement fees *RMB'000*	Other benefits (i) *RMB'000*	Employer's contribution to pension scheme *RMB'000*	Total *RMB'000*
LI Shiheng	–	–	–	–	–	–	–
HE Daguang	–	–	–	–	–	–	–
ZHU Yaoting	–	–	–	–	–	–	–
LIU Yanfeng	–	117	–	–	23	16	156
ZHOU Fumin	–	–	–	–	–	–	–

(i) Other benefits including medical insurance, unemployment insurance and housing fund.
(ii) Resigned from the capacity of non-executive director of the Company on 20 June 2006.
(iii) Appointed on 20 June 2006.
(iv) Resigned from the capacity of supervisor of the Company on 20 June 2006.

In addition to directors' and supervisors' emoluments disclosed above, certain directors and supervisors of the Company receive emoluments from the Ultimate Holding Company, the total amount for the year ended 31 December 2006 was RMB240,000 (2005: RMB264,000), part of which is in respect of their services to the Group. No apportionment has been made as the directors consider that it is impracticable to apportion this amount between their services rendered to the Group and their services rendered to the Ultimate Holding Company.

13. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2005: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2005: one) individuals during the year are as follows:

	Group Year ended 31 December	
	2006	2005
	RMB'000	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**3,205**	1,629
Contributions to retirement schemes	**–**	–
	3,205	1,629

The emoluments fell within the following band:

	Number of individuals	
	2006	2005
Emolument band		
RMB1,000,000 – RMB2,000,000	**2**	1

14. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Buildings	Office equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost					
Balance at 1 January 2005	15,774	11,027	3,075	–	29,876
Acquisition	–	200	–	–	200
Additions	–	428	833	–	1,261
Disposals	–	(351)	–	–	(351)
Balance at 1 January 2006	15,774	11,304	3,908	–	30,986
Additions	–	2,183	1,321	3,893	7,397
Disposals	–	(190)	(270)	–	(460)
Balance at 31 December 2006	**15,774**	**13,297**	**4,959**	**3,893**	**37,923**
Accumulated depreciation					
Balance at 1 January 2005	(2,407)	(7,728)	(1,611)	–	(11,746)
Charge for the year	(757)	(1,305)	(676)	–	(2,738)
Disposals	–	334	–	–	334
Balance at 1 January 2006	(3,164)	(8,699)	(2,287)	–	(14,150)
Charge for the year	(757)	(1,285)	(593)	(758)	(3,393)
Disposals	–	87	270	–	357
Balance at 31 December 2006	(3,921)	(9,897)	(2,610)	(758)	(17,186)
Net book value					
At end of the year 2006	11,853	3,400	2,349	3,135	20,737
At beginning of the year 2006	12,610	2,605	1,621	–	16,836

Depreciation expense of RMB2,238,000 (2005: RMB1,608,000) has been expensed in administrative expenses, RMB647,000 (2005: RMB802,000) in cost of sales, RMB503,000 (2005: RMB328,000) in other operating expenses, RMB5,000 (2005: Nil) in selling and distribution expenses.

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Company				
	Buildings	**Office equipment**	**Motor vehicles**	**Leasehold improvements**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost					
Balance at 1 January 2005	15,774	10,420	528	–	26,722
Additions	–	291	–	–	291
Disposals	–	(344)	–	–	(344)
Balance at 1 January 2006	15,774	10,367	528	–	26,669
Additions	–	747	299	734	1,780
Disposals	–	(87)	–	–	(87)
Balance at 31 December 2006	**15,774**	**11,027**	**827**	**734**	**28,362**
Accumulated depreciation					
Balance at 1 January 2005	(2,407)	(7,502)	(112)	–	(10,021)
Charge for the year	(757)	(1,178)	(87)	–	(2,022)
Disposals	–	334	–	–	334
Balance at 1 January 2006	(3,164)	(8,346)	(199)	–	(11,709)
Additions	(757)	(936)	(114)	(109)	(1,916)
Disposals	–	86	–	–	86
Balance at 31 December 2006	**(3,921)**	**(9,196)**	**(313)**	**(109)**	**(13,539)**
Net book value					
At end of the year 2006	11,853	1,831	514	625	14,823
At beginning of the year 2006	12,610	2,021	329	–	14,960

15. PREPAYMENTS FOR LAND USE RIGHTS

The Group's and Company's interests in land use rights represented prepaid operating lease payments and their net book value are analyzed as follows:

	Group and Company As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**32,317**	33,202

16. INTANGIBLE ASSETS

	Group			
	Goodwill *RMB'000*	**Operating right** *RMB'000*	**Computer software** *RMB'000*	**Total** *RMB'000*
At 1 January 2005				
Cost	8,269	–	–	8,269
Accumulated amortization	(2,963)	–	–	(2,963)
Net book amount	5,306	–	–	5,306
Year ended 31 December 2005				
Opening net book amount	5,306	–	–	5,306
Additions	–	–	163	163
Acquisition of subsidiary	357	–	–	357
Amortization charges	–	–	(82)	(82)
Impairment charges	(357)	–	–	(357)
Closing net book amount	5,306	–	81	5,387
At 31 December 2005				
Cost	8,626	–	163	8,789
Accumulated amortization and impairment	(3,320)	–	(82)	(3,402)
Net book amount	5,306	–	81	5,387
Year ended 31 December 2006				
Opening net book amount	5,306	–	81	5,387
Additions	–	20,000	729	20,729
Amortization charges	–	(445)	(208)	(653)
Closing net book amount	5,306	19,555	602	25,463
At 31 December 2006				
Cost	8,626	20,000	892	29,518
Accumulated amortization and impairment	(3,320)	(445)	(290)	(4,055)
Net book amount	5,306	19,555	602	25,463

16. INTANGIBLE ASSETS *(Continued)*

	Company		
	Goodwill	Computer software	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2005			
Cost	8,269	–	8,269
Accumulated amortization	(2,963)	–	(2,963)
Net book amount	5,306	–	5,306
Year ended 31 December 2005			
Opening net book amount	5,306	–	5,306
Additions	357	150	507
Amortization charges	–	(78)	(78)
Impairment charges	(357)	–	(357)
Closing net book amount	5,306	72	5,378
At 31 December 2005			
Cost	8,626	150	8,776
Accumulated amortization and impairment	(3,320)	(78)	(3,398)
Net book amount	5,306	72	5,378
Year ended 31 December 2006			
Opening net book amount	5,306	72	5,378
Additions	–	598	598
Amortization charges	–	(192)	(192)
Closing net book amount	5,306	478	5,784
At 31 December 2006			
Cost	8,626	748	9,374
Accumulated amortization and impairment	(3,320)	(270)	(3,590)
Net book amount	5,306	478	5,784

Operating right represents the exclusive right of selling advertising space in Hebei Youth Daily as well as its printing and distribution acquired from Hebei Youth Daily Newspaper Agency by Heqing Media for a term of 30 years.

17. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
Share of net liabilities	**(82,453)**	(71,510)

	Company As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
Unlisted shares, at cost	**2,550**	2,550

Summarized financial information of the jointly controlled entity is as follows:

	Year ended 31 December	
	2006	2005
	RMB'000	*RMB'000*
Turnover	**40,743**	31,702
Other revenues	**216**	–
Expenses	**(62,416)**	(97,911)
Loss for the year	**(21,457)**	(66,209)

17. INVESTMENT IN A JOINTLY CONTROLLED ENTITY *(Continued)*

	As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
Assets		
Non-current assets	**48,144**	402,005
Current assets	**14,078**	65,129
	62,222	467,134
Liabilities		
Current liabilities	**177,991**	260,395
Non-current liabilities	**45,904**	346,954
	223,895	607,349
Net liabilities	**161,673**	140,215

On 18 March 2006, the Company, COL, Media Serv Limited, Media Serv Asia Pacific Limited and Tom Group Limited ("TOM") have agreed to terminate the previous arrangements relating to the organization of the China Open Tennis Tournaments.

On 18 March 2006, the Company, COL, TOM, Champion Will International Limited ("Champion"), Swidon Enterprises Limited ("Swidon") and Tennis Tournaments Holdings Limited ("TTHL") have entered into a series of agreements (the "Agreements") regarding the organization of future China Open tennis tournaments. Under the Agreements, Champion and Swidon, as the relevant ATP Tour, Inc ("ATP") and WTA Tour, Inc ("WTA") memberships holders, will grant to COL the exclusive right to use the ATP Tournament Class Membership and WTA Tier II Tour Membership for the organization of the China Open tennis tournaments in Beijing, the PRC, once a year from 2006 until 2013. COL will be responsible for the payments of an aggregate ATP and WTA license fees of USD1,200,000 per year to Champion and Swidon.

The Agreements and the termination agreement were effective on 31 March 2006.

17. INVESTMENT IN A JOINTLY CONTROLLED ENTITY *(Continued)*

The following are the details of the joint controlled entity at 31 December 2006:

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	Organizing and promoting Chinese tennis tournaments

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

Note:

(1) COL is a Sino-foreign investment equity joint venture. The Company and the foreign party have 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.

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").

The Company has agreed to provide financial assistance to COL for the financing of the payments 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.

On 18 March, 2007, the Ultimate Holding Company and TTHL entered into agreement pursuant to which the Ultimate Holding Company agreed to acquire TTHL's 49% equity interest in COL at a consideration of RMB1. Upon completion of the equity transfer. COL will be jointly held by the Company and the Ultimate Holding Company (note 35 (b)).

18. INVESTMENTS IN SUBSIDIARIES

	Company As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
Unlisted shares, at cost	**35,343**	17,343

The following is a list of the principal subsidiaries at 31 December 2006:

Company	Country of operation/ establishment and date of incorporation/ establishment	Registered capital RMB'000	Effective interests held Directly	Effective interests held Indirectly	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
Beijing Leisure Trend Advertising Company	The PRC, 21 February 2002	5,000	51%	–	Limited liability company	Providing advertising services
Hebei Heqing Media Corporation Limited (i)	The PRC, 23 April 2006	30,000	60%	–	Limited liability company	Providing newspaper advertising services, printing and distribution businesses

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

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

19. INVENTORIES

	Group As at 31 December	
	2006 **RMB'000**	2005 *RMB'000*
Raw materials	**38,602**	59,998

For the year ended 31 December 2006, the cost of inventories recognized as expenses and included in cost of sales amounted to RMB360,498,000 (2005: RMB377,240,000). As at 31 December 2006 and 2005, no inventories were stated at net realizable value.

20. TRADE RECEIVABLES

	Group As at 31 December	
	2006 **RMB'000**	2005 *RMB'000*
Trade receivables		
– Due from Ultimate Holding Company	**39,282**	29,806
– Due from other related parties	**20,041**	18,398
– Due from third parties	**98,572**	78,781
	157,895	126,985
Less: provision for doubtful debts	**(17,762)**	(9,970)
Trade receivables – net	**140,133**	117,015
Less: non-current portion	**(13,851)**	–
Current portion	**126,282**	117,015

The aging analysis of trade receivables is as follows:

	Group As at 31 December	
	2006 **RMB'000**	2005 *RMB'000*
Within 3 months	**84,217**	68,619
4 months to 6 months	**24,711**	14,177
7 months to 12 months	**3,834**	6,374
1 year to 2 years	**14,881**	37,238
Over 2 years	**30,252**	577
	157,895	126,985

20. TRADE RECEIVABLES *(Continued)*

	Company As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
Trade receivables		
– Due from subsidiaries	**–**	541
– Due from other related parties	**6,110**	6,110
– Due from third parties	**66,687**	55,171
	72,797	61,822
Less: provision for doubtful debts	**(15,857)**	(9,951)
Trade receivables – net	**56,940**	51,871
Less: non-current portion	**(13,851)**	–
Current portion	**43,089**	51,871

The aging analysis of trade receivable is as follows:

	Company As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
Within 3 months	**25,023**	13,968
4 months to 6 months	**6,126**	10,039
7 months to 12 months	**2,785**	–
1 year to 2 years	**8,611**	37,238
Over 2 years	**30,252**	577
	72,797	61,822

The normal credit period granted by the Group and the Company 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 and the Company extended the credit terms to certain advertising agents of classified advertisements which allowed them to settle the outstanding balance by 31 December 2006. After expiry of the above credit terms, the Company entered into agreements with certain of the aforementioned agents individually in connection with fixed repayment schedules which effectively allow them to settle the outstanding balances as at 31 December 2006 in the next 2 to 5 years. The Company has assessed these customers' repayment history and ability to repay before entering into these new arrangements. The Group and the Company recorded the outstanding balances with maturities greater than 12 months as non-current trade receivables, which were measured at amortized cost using the effective interest method.

21. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
Interest receivable	**12,432**	9,015
Others	**8,927**	3,087
	21,359	12,102

	Company As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
Interest receivable	**11,763**	9,015
Others	**3,739**	1,431
	15,502	10,446

22. RESTRICTED BANK DEPOSITS – GROUP AND COMPANY

Restricted bank deposits represent fixed deposits which were pledged as security over the loan facilities in the sum of RMB167,468,000 (2005: US$6,000,000). The loan facilities are granted to COL by Minsheng Banking. RMB161,953,000 (2005: nil) included in restricted bank deposits were denominated in HKD.

23. SHORT-TERM BANK DEPOSITS – GROUP AND COMPANY

As at 31 December 2006, short-term bank deposits represent fixed deposits with original maturities ranging from over three months to one year. RMB711,899,000 (2005: RMB996,815,000) included in short-term bank deposits were denominated in HKD.

The weighted average interest rate was 3.91% per annum for the year ended 31 December 2006 (2005: 3.13%).

24. CASH AND CASH EQUIVALENTS

As at 31 December 2006, the Group's bank balances and cash were deposited with banks in the PRC. RMB49,877,000 (2005: RMB23,136,000) included in cash and cash equivalents were denominated in HKD.

As at 31 December 2006, the Company's bank balances and cash were deposited with banks in the PRC. RMB49,877,000 (2005: RMB23,136,000) included in cash and cash equivalents were denominated in HKD.

25. TRADE PAYABLES

	Group As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
Trade payables		
– Due to the Ultimate Holding Company	**5,451**	6,712
– Due to other related parties	**38,952**	41,534
– Due to third parties	**30,060**	17,279
	74,463	65,525

The balance of trade payables to related parties as at 31 December 2006 includes notes payables of RMB18,722,000 (2005: RMB8,939,000).

The aging analysis of trade payables is as follows:

	Group As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
Within 3 months	**72,254**	61,772
4 months to 6 months	**1,474**	2,969
7 months and 12 months	**5**	91
1 year to 2 years	**627**	350
Over 2 years	**103**	343
	74,463	65,525

	Company As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
Trade payables		
– Due to the Ultimate Holding Company	**5,451**	6,711
– Due to subsidiaries	**26,034**	30,378
– Due to other related parties	**–**	867
	31,485	37,956

The trade payables of the Company are all aged within 3 months.

26. OTHER PAYABLES AND ACCRUALS – GROUP AND COMPANY

As at 31 December 2006, included in other payables and accruals is an amount of RMB89,285,000 (2005: RMB92,451,000) denominated in HKD88,909,000 (2005: HKD88,909,000) which represents the proceeds from the sale of shares in Global Offering by three shareholders ("Selling Shareholders") which are PRC state-owned enterprises, such proceeds were received by the Company on behalf of the Selling Shareholders. Pursuant to the relevant PRC government requirement, such proceeds will be remitted to the national social security fund.

27. TAXATION PAYABLES

	Group	
	As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
EIT	**3,821**	3,745
VAT	**(6,483)**	(1,046)
BT	**1,430**	1,981
City construction tax	**265**	184
Individual income tax	**321**	259
	(646)	5,123

	Company	
	As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
BT	**1,368**	1,806
City construction tax	**153**	148
Individual income tax	**235**	231
	1,756	2,185

28. SHORT-TERM BANK LOANS

	Group	
	As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
Bank loans – unsecured	**28,000**	20,000

As at 31 December 2006, the bank loans bore interests at the rate of 5.42% (2005: 5.58%) per annum and were repayable within one year. The loans were guaranteed by the Company.

29. SHARE CAPITAL

	Group As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
Registered, issued and fully paid		
– Domestic shares of RMB1.00 each	**142,409**	142,409
– H shares of RMB1.00 each	**54,901**	54,901
	197,310	197,310

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

30. 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 a 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 Group. The statutory public welfare fund is not available for distribution to shareholders except under liquidation. Starting from 1 January 2006 onward, the Company is not allowed from providing further appropriation out of profit attributable to equity holders of the Company to statutory public welfare fund pursuant to the revised Company Law. The balance of statutory public welfare fund as at 31 December 2005 was required to be transferred to statutory surplus reserve fund.

For the year ended 31 December 2006, the Board of Directors of the Company proposed appropriations of 10% of profit after tax determined under PRC GAAP of RMB3,677,000 to the statutory surplus reserve fund (2005: 10% and 10% of profit after tax of RMB6,761,000 and RMB6,761,000 to the statutory surplus reserve fund and the statutory public welfare funds respectively). Moreover, the subsidiaries of the Company also proposed certain percentages of profit after tax of each company to the above reserves in accordance with PRC regulations and individual subsidiaries' articles of associations.

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 HKFRS. As at 31 December 2006, the amount of retained earnings available for distribution was approximately RMB127,600,000, being the amount determined in accordance with PRC GAAP (2005: RMB138,906,000, being the amount determined in accordance with HKFRS).

30. RETAINED EARNINGS AND RESERVES *(Continued)*

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

	Capital reserve *RMB'000*	Statutory surplus reserve fund *RMB'000*	Statutory public welfare fund *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
As at 1 January 2005	896,313	55,501	55,502	191,533	1,198,849
Profit attributable to shareholders	–	–	–	37,846	37,846
Dividends	–	–	–	(76,951)	(76,951)
Appropriation to statutory reserve funds	–	6,761	6,761	(13,522)	–
Others	(216)	–	–	–	(216)
As at 31 December 2005	896,097	62,262	62,263	138,906	1,159,528
As at 1 January 2006	896,097	62,262	62,263	138,906	1,159,528
Profit attributable to shareholders	–	–	–	45,710	45,710
Dividends	–	–	–	(49,328)	(49,328)
Transfer to statutory surplus reserve fund	–	62,263	(62,263)	–	–
Appropriation to statutory reserve fund	–	3,677	–	(3,677)	–
As at 31 December 2006	**896,097**	**128,202**	**–**	**131,611**	**1,155,910**

31. CASH GENERATED FROM OPERATIONS

	Group Year ended 31 December	
	2006	2005
	RMB'000	*RMB'000*
Profit for the year	**21,975**	16,343
Adjustments for:		
– Income tax expense	**8,504**	7,252
– Depreciation *(note 14)*	**3,393**	2,738
– Amortization charges	**1.538**	966
– (Gain)/loss on disposal of property, plant and equipment	**(155)**	10
– Bad and doubtful debts	**11,197**	9,613
– Impairment of goodwill	**–**	357
– Interest income	**(42,288)**	(23,527)
– Interest expense	**1,188**	749
– Share of loss of a jointly controlled entity	**10,943**	33,767
– Exchange losses	**34,643**	20,272
Changes in working capital (excluding the effects of acquisition):		
– Inventories	**21,396**	(5,367)
– Trade receivables	**(34,315)**	(42,629)
– Other receivables, prepayments and deposits	**(6,509)**	27,884
– Trade payables	**8,938**	10,692
– Taxation payables	**(5,845)**	(3,913)
– Other payables and long-term liabilities	**10,847**	4,886
Cash generated from operations	**45,450**	60,093

32. FINANCIAL GUARANTEES

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

	Company As at 31 December	
	2006	2005
	RMB'000	*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 facility of a subsidiary	**30,000**	30,000

32. FINANCIAL GUARANTEES *(Continued)*

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 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 Logistic.

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.

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.

33. COMMITMENTS

Capital commitments

The Group and the Company did not have any significant commitments outstanding as at 31 December 2006 (2005: Nil).

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
Not later than 1 year	**3,549**	1,315
Later than 1 year and not later than 5 years	**6,243**	–
	9,792	1,315

34. RELATED-PARTY TRANSACTIONS

The related parties of the Company and its subsidiaries that had transactions with the Company and its subsidiaries are as follows:

Name of related parties	Nature of relationship
Beijing Youth Daily Newspaper Agency	Ultimate Holding Company
Beijing Today Sunshine Advertising Co., Ltd.	A subsidiary of the Ultimate Holding Company
Beijing Beiqing Advertising Limited	A subsidiary of the Ultimate Holding Company
Beijing Youth & Ynet Advertising Co., Ltd.	A subsidiary of the Ultimate Holding Company
Beijing XiaoHongMao Newspapers and Periodicals Distribution Services Company Limited	A subsidiary of the Ultimate Holding Company
China Open Promotion Company Limited	A jointly controlled entity of the Company
Xin Hua Net Printery	A minority shareholder
Workers Daily	A minority shareholder
Beijing Min Yi Printing Technology Services Company	A minority shareholder
Beijing Ke Yin Printing Technology Services Company	A minority shareholder
ShangHai ShengLian Printing Technology Services Company	A minority shareholder
Hebei Youth Daily Newspaper Agency	A minority shareholder
State-owned enterprises	Related parties of the Company

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

The Ultimate Holding Company itself is a state-owned enterprise controlled by the PRC government. As the Group is controlled by the Ultimate Holding Company, it is considered to be indirectly controlled by the PRC government. In accordance with HKAS 24, "Related Party Disclosure", state-owned enterprise and their subsidiaries, other than the Ultimate Holding Company, directly or indirectly controlled by the PRC government are also deemed as related parties of the Group ("Other State-Owned Enterprises"). For purpose of related party transactions disclosure, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state-owned enterprises have multilayered corporate structure and the ownership structures change over time as a result of transfers and privatization programmes. Due to the pervasiveness of the Group's retail transactions with the entities' employees on corporate business, their key management personnel and close family members, and other related parties, there is no feasible way to track such transactions and ensure the completeness of certain disclosure. Nevertheless, management believes that meaningful information relative to related-party transactions with these Other State-Owned Enterprises has been disclosed.

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Company and its subsidiaries and their related parties during the year 2006 and balances arising from related party transactions at the end of the year 2006.

34. RELATED-PARTY TRANSACTIONS *(Continued)*

(a) Related party balances

Included in the consolidated balance sheet, the balances with related parties are as follows:

	As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
		(note 36)
The Ultimate Holding Company		
Trade receivables	**39,282**	29,806
Other receivables, prepayments and deposits	**3,825**	–
Trade payables	**5,451**	6,712
Other payables and accruals	**2,327**	1,990
Subsidiaries of the Ultimate Holding Company		
Trade receivables	**6,340**	6,110
Trade payables	**91**	867
Other payables and accruals	**1,100**	–
Minority Shareholders		
Trade receivables	**2,055**	2,029
Other receivables, prepayments and deposits	**20**	20
Trade payables	**–**	77
Other payables and accruals	**11,744**	8,893
Other State-Owned Enterprises		
Trade receivables	**11,646**	10,259
Other receivables, prepayments and deposits	**61**	231
Restricted bank deposits	**267**	56,000
Short-term bank deposits	**615,976**	1,073,933
Cash and cash equivalents	**270,211**	283,149
Trade payables	**38,861**	40,590
Other payables and accruals	**1,085**	92,451
Short-term bank loans	**28,000**	20,000

Except for bank balances and short-term bank loans stated above, all balances of assets and liabilities are unsecured, non-interest bearing and receivable or repayable within one year.

34. RELATED-PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions

	Note	For the year ended 31 December 2006 RMB'000	2005 RMB'000 (note 36)
The Ultimate Holding Company			
Exclusive advertising right expenses	*(i)*	**81,939**	96,582
Provision of printing services	*(ii)*	**83,882**	79,795
Rental income	*(iii)*	**3,506**	3,426
Rental expense	*(iii)*	**538**	–
Sales of print-related materials	*(iv)*	**–**	5,359
Subsidiaries of the Ultimate Holding Company			
Provision of advertising services	*(v)*	**16,369**	32,580
Payment of delivery services	*(vi)*	**1,018**	8,125
Provision of printing services	*(ii)*	**1,853**	–
Jointly controlled entity			
Rental income	*(iii)*	**229**	131
Minority Shareholders			
Sales of print-related materials	*(iv)*	**29,146**	37,479
Payment of printing services	*(vii)*	**61,861**	59,533
Purchase of print-related materials	*(viii)*	**10,600**	9,664
Purchase of exclusive operating right	*(ix)*	**20,000**	–
Other State-Owned Enterprises			
Provision of advertising services		**394**	425
Provision of printing services		**9,123**	4,489
Sales of print-related materials		**67,230**	59,533
Payment of printing services		**70,825**	65,912
Purchase of inventory		**125,256**	194,149
Interest income		**27,091**	26,264

(i) Pursuant to the fee agreement entered into between the Company and the Ultimate Holding Company on 7 December 2004, the Company would pay 16.5% of the advertising revenue to the Ultimate Holding Company for the period from 1 October 2004 to 30 September 2033.

(ii) BYD Logistic, the subsidiary of the Company provided printing services to Beijing Sec-Tech Report, Legal Evening Post and other publications, which are operated by the Ultimate Holding Company and its subsidiaries.

(iii) The Company leased out certain offices situated in the Beijing Youth Daily Agency Building to the Ultimate Holding Company and COL with annual rental fee of RMB3,506,000 and RMB229,000 respectively. In addition, the Ultimate Holding Company leased certain offices to the Company with an annual rental fee of RMB538,000.

34. RELATED-PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions *(Continued)*

(iv) BYD Logistics sold print-related materials to Beijing Youth Weekly which is operated by the Ultimate Holding Company and certain minority shareholders.

(v) The Company provided advertising services to certain subsidiaries of the Ultimate Holding Company.

(vi) The Group received direct mail advertisement delivery services from Beijing XiaoHongMao Newspapers and Periodicals Distribution Services Company Limited.

(vii) BYD Logistics received printing services from certain of its shareholders.

(viii) BYD Logistics purchased print-related materials from certain minority shareholders.

(ix) Pursuant to the agreement entered into between Heqing Media and Hebei Youth Daily Newspaper Agency dated 19 May 2006, Hebei Youth Daily agreed to grant Heqing Media a sole and exclusive right of selling advertising space in Hebei Youth Daily Newspaper Agency as well as its printing and distribution with a term of 30 years at a consideration of RMB20,000,000.

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.

(c) Loan guarantees

The Company pledged its fixed deposits in the sum of RMB167,468,000 as security over the loan facilities of RMB148,350,000 granted to COL by a bank (note 17).

(d) Key management personal compensation

	For the year ended 31 December	
	2006	2005
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**5,136**	4,172

35. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008.

As at the date that these financial statements are approved for issue, detailed measures of the new CIT Law have yet to be issued, specific provisions concerning the applicable income tax rates, computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions for the periods from 2008 and onwards have not been clarified. Consequently, the Group is not in a position to reasonably assess its applicable income tax rates when the new CIT Law becomes effective.

(b) On 18 March 2007, the Ultimate Holding Company and TTHL entered into agreement pursuant to which the Ultimate Holding Company agreed to acquire TTHL's 49% equity interest in COL at a consideration of RMB1 (note 17). Upon completion of the equity transfer, COL will be jointly held by the Company and the Ultimate Holding Company.

On 10 April 2007, COL entered into agreement with TOM and Tennis Management Limited ("TML") in connection with proposed acquisitions by COL of TML's 100% equity interests in Champion and Swidon, respectively. Upon completion of the equity transfer, Champion and Swidon will become wholly owned subsidiaries of COL. On the same date, the Company, COL, TOM, TTHL, Champion and Swidon entered into a termination agreement to terminate the previously signed authorization agreements regarding the organization of China Open tennis tournaments.

On 10 April 2007, the Company and COL entered into the Guarantee Agreement under which the Company will provide guarantees, upon request by COL, to banks for the bank loans and facilities granted to COL in the aggregate amount not exceeding RMB307.23 million. The facilities amounting to RMB148.35 million will be utilized for the renewed of the guarantees that the Company provided to COL previously (note 32). The remaining facilities amounting to RMB158.88 million will be utilized to facilitate the operation of the China Open tennis tournaments in 2007, pay consideration for COL's acquisition of the 100% equity interests in Champion and Swidon and the related upgrade fees payable to the WTA. The terms of the Guarantee Agreement will commence from the date of the completion of the equity transfer of Champion and Swidon mentioned above until 30 March 2008.

Except for the termination agreement, the abovementioned arrangements will be subject to Independent Shareholders and official authorities' approvals.

36. COMPARATIVE FIGURES

Certain prior year comparative figures have been classified to conform to the current year's presentation.