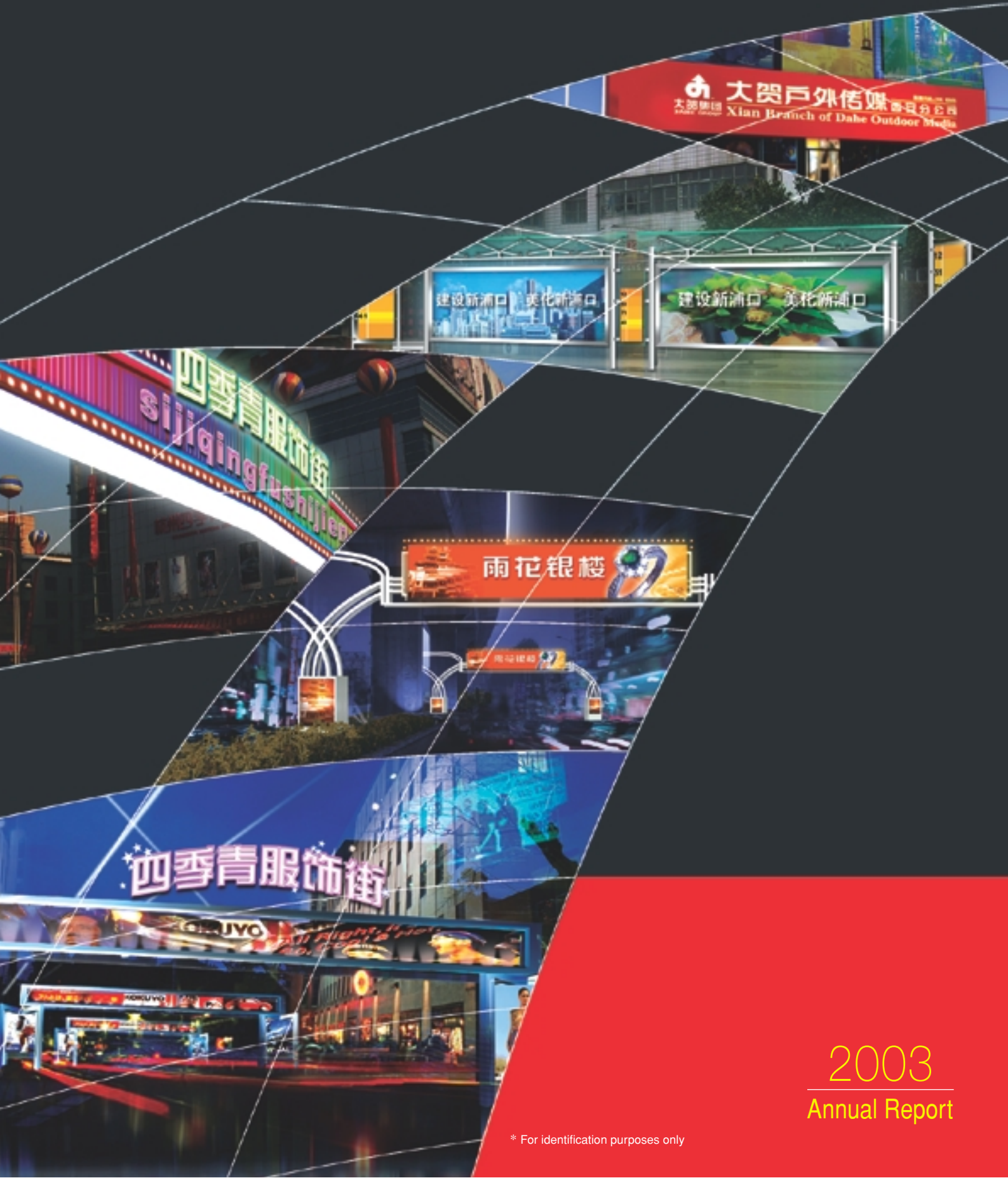




南京大賀戶外傳媒股份有限公司
Nanjing Dahe Outdoor Media Co., Ltd.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)



2003
Annual Report

* For identification purposes only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this annual report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

The directors of Nanjing Dahe Outdoor Media Co., Ltd. collectively and individually accept full responsibility of this annual report. This annual report includes particulars given in compliance with the GEM Listing Rules of the Stock Exchange of Hong Kong for the purpose of giving information with regard to Nanjing Dahe Outdoor Media Co., Ltd. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this annual report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this annual report misleading; and (iii) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



Contents

	Pages
Corporate Information	2
Financial Highlights and Calendar	3
Chairman's Statement	4 & 5
Management Discussion and Analysis	6 to 9
Directors, Supervisors and Senior Management	10 & 11
Review of Business Objectives	12
Report of the Directors	13 to 20
Report of Supervisors	21
Report of the Auditors	22
Consolidated Income Statement	23
Consolidated Balance Sheet	24 & 25
Balance Sheet	26 & 27
Consolidated Statement of Changes in Equity	28
Consolidated Cash Flow Statement	29 & 30
Notes to the Financial Statements	31 to 57
Financial Summary	58



Corporate Information

BOARD OF DIRECTORS

Executive directors

HE Chaobing
JU Guanyu
WANG Weijie

Non-executive directors

LI Huafei
ZHAO Hongying
HE Lianyi

Independent non-executive directors

QIAO Jun
CHENG Zhiming
LI Yijing
SHEN Jin

AUDIT COMMITTEE

Qiao Jun
Cheng Zhiming
Li Yijing
Shen Jin

COMPANY SECRETARY

Hui Hung Kwan, FCCA, AHKSA

AUTHORISED REPRESENTATIVES

He Chaobing
Wang Weijie

COMPLIANCE OFFICER

He Chaobing

REGISTERED OFFICE

No. 8 Hengfei Road
Economic and Technology Development Zone
Nanjing
The PRC

PRINCIPAL PLACE OF BUSINESS

4109, 41st Floor
Jardine House
1 Connaught Place
Hong Kong

AUDITORS

Horwath Hong Kong CPA Limited

SPONSOR

Guotai Junan Capital Limited

HONG KONG LEGAL ADVISER

Chiu & Partners

PRINCIPAL BANKERS

China Agricultural Bank
Xinjiekou Branch

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Room 1901-5
19th Floor Hopewell Centre
183 Queen's Road East
Hong Kong

WEB-SITE AND E-MAIL ADDRESS

Web-site: <http://www.dahe-ad.com>
E-mail address: office-dahe@263.net

STOCK CODE

8243



Financial Highlights and Calendar

For the year ended 31st December, 2003
(Expressed in Renminbi)

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Revenue		
Turnover	166,464	158,644
Profitability		
Profit from operations	33,939	31,374
Profit attributable to shareholders	24,500	29,687
Net Worth		
Shareholders' funds	233,488	94,125
Per share		
Basic earnings per share (RMB)	4.0 cents	5.1 cents
Net assets per share	38.2 cents	16.2 cents

FINANCIAL CALENDAR

Results for the year	Announcement on 25th March, 2004
Annual report	Dispatch to shareholders in late March 2004
Annual general meeting	17th May, 2004



Chairman's Statement

On behalf of the board of directors (the "Directors") of Nanjing Dahe Outdoor Media Co., Ltd (the "Company"), I am pleased to present to the shareholders the audited results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2003, which is the first annual report of the Company since its listing.

APPRECIATION BY CUSTOMERS AND BUSINESS CIRCLE

The year 2003 is crucial and significant for the Group. It was successfully listed on the GEM of HK Stock Exchange (Stock Code: 8243) on 13th November, 2003, symbolizing a new milestone in the development of the Group. This substantially improved the overall development, image reputation and status of the Group within the industry. In future, the Group will continue its efforts to achieve better results.

The Company has commenced the provision of outdoor advertising services in the PRC since the establishment of its predecessor, Nanjing Dahe Digital in December 2000. Through rapid expansion of business and scope of service over the years and the corporate culture of "honest, innovative, diligent and advancing", the Group has grown to become an outdoor advertising service provider in the PRC, providing a full range of specialised outdoor advertising services which include design and production of outdoor advertisement and dissemination of them through renting out its outdoor advertising space in the PRC. The Group has successfully won high recognitions and trust from its customers, at the same time highly recommended by and established its famous branding within the advertising industry. In the coming year, we will continue our efforts to create far better results.

FINANCIAL OVERVIEW

The proceeds raised through listing by the Company, net of listing expenses was approximately RMB120 million. As at 31st December, 2003, the use of the proceeds is in line with the purpose as contained in the prospectus issued on 31st October, 2003. For the year ended 31st December, 2003, the turnover of the Group amounted to about RMB166 million and rose by about 4.93% as compared with the corresponding period of last year. Profits attributable to the shareholders decreased by about 17% to approximately RMB24.5 million. Decrease in the profits attributable to shareholders was mainly due to the influence of the SARS disaster and the expiry of the Company's income tax exemptions for High Technology Enterprise in 2002, resulting in income tax in 2003 amounting to RMB6.4 million, whereas income tax in 2002 was only RMB100,000. Basic earnings per share was approximately RMB4 cents.

BUSINESS REVIEW

The Group is a well-known outdoor advertising enterprise which offers one-stop advertising services and well-equipped with advanced printing and production facilities. The Group currently operates its outdoor advertising service network located in 24 major cities in the PRC comprising 5 subsidiaries and 23 branch companies and marketing departments providing a full range of specialised outdoor advertising services for the customers. The Group focuses on strengthening the design and production of outdoor advertisement business and continues to accelerate developing the dissemination of outdoor advertising in a prudent manner.

The design and production of outdoor advertisement has been the business focus of the Group for the year ended 31st December, 2003, achieving a turnover of approximately RMB148 million representing 88% of the total turnover and down by 6% as compared with year 2002; realized gross profit was about RMB51 million. Outdoor advertising products designed and produced by the Group cover spray paintings of outdoor advertisement, electronic LED-based display units and lightings for outdoor advertisement. The spray paintings of the outdoor advertisement are utilised for display at a variety of outdoor advertisement media (including billboards, upright posts, light boxes and bridge lamps).



Chairman's Statement (Continued)

For the year ended 31st December, 2003, income from dissemination of outdoor advertisement business expanded steadily, reaching a turnover of approximately RMB19 million which represented approximately 11% of the total turnover, up by approximately 21 times as compared with year 2002 and gross profit realized of approximately RMB10.5 million. The Group, in addition to the extensive outdoor advertising network, set up Hangzhou Ultralon Advertising Co., Ltd on 9th July, 2003 and Chendu Ultralon Advertising Co., Ltd on 21st August, 2003 in order to further expand the market network of the Group. The two new companies are engaged primarily in the dissemination of outdoor advertisement to further expand the business network of the Group by exploring new advertising space. In reviewing the material investments within the year, the new outdoor advertising space obtained in Beijing, Jiangsu, Jiangxi, Zhejiang, Anhui etc reached 45,000 square meters with approximately 65,000 square meters of large-sized outdoor advertising like billboard unipole, light bridge, etc.

To become one of the largest outdoor advertising service provider in the PRC, the Group has been continuously improving the related services of advertising sales, including the expansion of the existing outdoor advertising network of the Group, production and installation of new media system, upgradation of production equipment and improvement of product quality and strengthen the service platform of the Group in the PRC. All these have effectively raised the turnover and net profits for the year ended 31st December, 2003. The Group will continue to adopt the effective strategy and keep the fast growing pace. The board of directors is confident that during 2003, the market shared by the Group in the PRC advertising industry reached 15%, and rate of media occupation representing approximately 0.45% of the total outdoor media in the PRC.

OUTLOOK

The economic growth of China will continue to surpass other countries and regions besides the increasing improvement of the people's living standard, the consumer market will grow rapidly. In addition, with the PRC's accession into WTO and under the influence of CEPA, more and more foreign enterprises will enter the Chinese market. It will lead to greater demand for outdoor advertising media, thereby drastically benefiting the advertising industry of the PRC. The Group will focus on the improvement of its quality and the asset base, strengthening corporate governance, setting up modernized system with an aim to become one of the largest outdoor advertising operating service provider in the PRC.

Following the Group being awarded the right to build 5 outdoor advertising locations along the main road sections connecting the Pudong international airport in January 2004, the Group has recently acquired the outdoor advertising space of about 4,000 square meters in several major areas and buildings in Shenzhen in order to expand the existing advertising network. The Group is trying to develop spray paintings and outdoor advertising medium and provide the customers with services of the design, production and dissemination to reach predominant position of "one-stop" outdoor advertising services.

APPRECIATION

I wish to take this opportunity to appreciate all staff and management for their contributions and efforts attributable to the success of the Group and also appreciate the customers for their continuous support for the products and services of the Group and the shareholders for their trust and support.

By order of the Board
He Chaobing
Chairman

Nanjing, the PRC, 25th March, 2004



Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31st December, 2003, the turnover of the Group was approximately RMB166 million, up by approximately 4.93% as compared with the corresponding period of last year. The turnover was derived mainly from the design and production of outdoor advertisement and revenue from the dissemination of outdoor advertisement, of which, the revenue from the design and production of outdoor advertisement was the main source, representing approximately 88% of total turnover. The demand for outdoor advertising in the PRC is steadily rising, driving forward the business and earnings of the Group and achieved a satisfactory growth within the year under review.

DESIGN AND PRODUCTION OF OUTDOOR ADVERTISING BUSINESS

During the year under review, the advanced production equipment and professional experienced staff of the Group designed and produced diversified quality products of outdoor advertising for the customers with a satisfactory business achieved, up to now, the market share of this business has been 15%, ranking the first in the industry. For the year ended 31st December, 2003, this business generated a turnover of approximately RMB148 million, down by approximately 6% as compared with the corresponding period of last year and the gross margin of approximately 39%. The Group provides the customers with the graphic design of spray paintings or LED-based electronic advertising medium content display and design of lights and illuminating effect of screens through the use of advanced production facilities and strict quality control.

OUTDOOR ADVERTISING POSTER PRINTING

Turnover from spray paintings of outdoor advertisement represented approximately 78% of total turnover or about RMB130 million; down by approximately 16% as compared with last year. Spray paintings of outdoor advertising is applied to some outdoor advertising, including billboards, upright posts, light boxes and bridge lamps etc. At the end of 2003, a split multi-colour off-set printer was introduced, which further enhanced its production capability, and satisfied the various demands of customers.

LED-BASED ELECTRONIC DISPLAYS

The turnover from the LED-based electronic displays represented approximately 5% of total turnover or RMB8.4 million; up by approximately 5 times as compared with the year 2002.

DISSEMINATION OF OUTDOOR ADVERTISEMENT BUSINESS

For the year ended 31st December, 2003, the turnover arising from renting out the outdoor advertising space to customers reached approximately RMB19 million; up by approximately 21 times as compared with the corresponding period of last year, and achieved gross margin of about 63%. During the year under the review, the Group has tried to acquire more outdoor advertising space to expand its business network into the major cities of China and also expand the earnings source of the Group. In 2003, the Group has successfully obtained the right of space about 45,000 sq.m. for outdoor advertising in Jiangsu, Jiangxi, Zhejiang, Anhui and Shenzhen. At present, the Group has enjoyed the 65,000 sq.m of the space for outdoor advertising spreading in Nanjing, Shanghai, Beijing, Guangzhou, Chengdu and Urumqi etc.

CUSTOMERS BASE

The Group has a sound customers base and has won the trust and preference from the customers as a result of the full range of services, extensive service network and quality products. At present, the Group has maintained 4,000 customers nationwide who are from different industries, including consuming products, telecommunications, households appliances, information technology, food and beverage, automobile and crude oil etc. Targeting on the changes in market consumption, the Group focussed in the exploration of high-end high quality customer groups, and by relying on upgraded sales network, to provide a “one-stop” service in design, production, dissemination to customers.



Management Discussion and Analysis (Continued)

PRODUCT DEVELOPMENT

During the year under review, the Group has strategically applied the resources to the new mode of outdoor advertising like LED-based electronic screen and multi-media advertising system. LED electronic screen is the media through which the Group provides the customers with the value-added products and services, for the year under review, the Group has tried to further improve the intensity, resolution and durability of LED-based electronic screen also with an ideal effect.

Apart from active development of new mode of outdoor advertising, during the period under review, the Group also gradually increased and expanded computer network constructions and upgrading, so as to further improve operating efficiency, reduce production costs and enhance competitiveness.

AWARDS AND HONOR

The Group has enjoyed the high quality of products and technology, thereby winning the support and recognitions from some organizations and professional bodies in the industry with the special honors won for several times.

The Group was accredited with one Gold Medal and two Bronze Medals for plane designs at the 10th China Advertising Festival, and obtained PRC nomination for “Star of the World”. On 24th February, 2004, the Group won the award “2002-2003 National Advertising Civilized Unit conferred” by the National Advertising Association in Beijing. The “2002-2003 National Advertising Civilized Unit conferred” is the large-scale activity to be held annually and strongly preferred by the business circle. Those nominated are all the powerful companies in the advertising industry. In addition, Mr. He Chaobing as the chairman and CEO of the Group has even won the glorious title of “Top Ten Advertising Manager of China”.

FUTURE DEVELOPMENT PLANS AND STRATEGIES

The goal of the Group is to grow to become one of the largest outdoor advertising enterprise in the PRC and to provide the customers with the value-added and quality design, production and dissemination. The Group has tried to strengthen the design and production of outdoor advertising while strongly developing the dissemination of outdoor advertising business as well as to continue the strengthening of the construction of the service platform by fully utilizing the existing business network in order to produce more new modes of multi-media system to realize the goal of business growth.

POLICIES OF TALENTS AND NETWORK DEVELOPMENT

The Group has its business network spreading in 23 major cities of the PRC, consisted of 15 branches and 8 marketing service departments with the staff totalling 1,184, of which, the largest manufacturing base is located in Nanjing of the PRC. The board of directors believes that the Group is at the advantageous position thanks to its perfect network and excellent talents and can build direct connections with the local advertising owners, this can help the Group identify and acquire outdoor advertising space at relatively low cost.



Management Discussion and Analysis (Continued)

PLANNED USE OF THE CAPITAL RAISED THROUGH LISTING

On 13th November, 2003, the Group placed shares at HKD0.53 per H share and made public offering of 250 million H Shares which were listed on the GEM of the Stock Exchange, and the net proceeds was approximately RMB120 million. The proceeds were used in a way that complied with the purpose of the prospectus issued on 31st October, 2003.

During the period from 13th November, 2003 (date of listing) to 31st December, 2003, the use of proceeds as set out in the prospectus and the actual use of the proceeds are summarised as follows:

- In respect of expansion of the existing advertising media network in the PRC, it was stated in the plan as set out in the prospectus to be HKD6.9 million, while the actual applied amount was approximately HKD7.3 million;
- In respect of the upgrading of printing facilities, it was stated in the plan as set out in the prospectus to be HKD7.5 million, while the actual applied amount was approximately HKD5.9 million;
- In respect of strengthening the Group's service network and computer network infrastructure, it was stated in the plan as set out in the prospectus to be HKD1.9 million. However, during the period, the Group has yet not invested any funds under this project.

FINANCIAL REVIEW

Working Capital and Financial Resources

As at 31st December, 2003, trade and other payables decreased from approximately RMB27.8 million in 2002 to RMB20.6 million. Trade and other receivables increased from approximately RMB15.4 million in 2002 to RMB19 million.

As at 31st December, 2003, bank balances and cash held by the Group amounted to approximately RMB129.3 million and bank loans of the Group was approximately RMB75 million. Debt-Equity Ratio is 32%, representing a percentage of bank loans of 32% over net assets of RMB233 million.

Profits attributable to the shareholders reached RMB24.5 million down by 17% as compared with RMB29.7 million of last year.

SALES, GENERAL AND ADMINISTRATIVE EXPENSES

In 2003, sales, general and administrative expenses were approximately RMB33.6 million. In 2002 it was RMB37.2 million.

FINANCE COST

In 2003, finance cost was approximately RMB4 million, of which RMB0.9 million was capitalised in construction-in-progress. In 2002 it was RMB1.6 million.

TAXES

As the Company's exemption for High Technology Enterprise income tax expired in 2002, income tax for 2003 was approximately RMB6.4 million, calculated at the tax rate of 15%. In 2002 it was RMB100,000.



Management Discussion and Analysis (Continued)

MINORITY INTERESTS

As at 31st December, 2003, minority interests amounted to RMB1.7 million, with immaterial change from 2002.

FOREIGN EXCHANGE

As the Group's business operations are located in the PRC and all the Group's sales and purchases denominated in Renminbi, therefore there are no foreign exchange risks affecting the operating results of the Group.

ASSETS

As at 31st December, 2003, the net current assets of the Group was approximately RMB69 million, and net assets was approximately RMB233 million. In 2002 they were RMB8 million and RMB94 million respectively.

MATERIAL INVESTMENT, ACQUISITION AND DISPOSAL

In 2003, the Group has no significant acquisition or sale, and has not utilised the proceeds to invest in any significant financial instrument.

EMPLOYEES

As at 31st December, 2003, the Group has a total of 1,184 full-time staff. Without taking into consideration directors' and supervisors' remuneration, staff costs was approximately RMB21 million. Employees' salaries were on a performance and capability basis, also based on the Group's remuneration system, subject to annual review. The Group made contributions to the employee retirement scheme. In addition to the above, the Group regularly provided training and development programs to the staff.

CONTINGENT LIABILITIES

As at 31st December, 2003, the Group has no material contingent liabilities.



Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. He Chaobing (賀超兵先生), aged 44, is an executive Director and chief executive officer of the Company. Mr. He graduated from the Nanjing School of Arts (南京藝術學院) and Nanjing Dianzi Guanchang Zhigong University (南京電子管廠職工大學) in July 1992. He is currently the member of the academic sub-committee of China Advertising Association (中國廣告協會), the team leader of the China Outdoor Advertising Workers Organising Committee (中國戶外廣告專業委員會籌備組), an editor of China Advertising《中國廣告》, a research member of the research and consultation centre of (江蘇省私營經濟研究諮詢中心) Jiangsu Provincial Private Driven Economic Research Committee, the vice president of Nanjing Municipality Association of Industrial and Commerce, a member of the Nanjing Municipality People's Political Consultative Conference, a representative of the Xixia District on the National People's Congress and a visiting professor of the Nanjing Normal University (南京師範大學). He was awarded the "Outstanding Entrepreneur in Nanjing Municipality (南京市優秀企業家)" by Nanjiang Municipal government. Mr. He is the founder of Dahe International.

Mr. Ju Guanyu (居官玉先生), aged 33, is an executive Director and the executive president of the Company. He graduated from the Nanjing School of Arts (南京藝術學院) and Nanjing Electronics Industry Vocational University (南京電子工業職工大學) in July 1997. Before joining the Company in 2000, Mr. Ju worked in Nanjing Dahe Laser Printing Co., Ltd. (南京大賀鐳射噴繪有限公司) in which he held various positions including the design supervisor and the general manager of its Xian branch.

Ms. Wang Weijie (王偉杰女士), aged 34, is an executive Director and the chief accountant of the Company. Ms. Wang is a Certified Public Accountant in the PRC and she obtained a bachelor's degree from the Nanjing University of Science and Technology (南京理工大學) in July 2001. Previously, she worked as the finance manager of Nanjing Suning Industrial Company (南京蘇寧實業有限公司). In 1998, she joined Dahe International and held the position of the financial controller. Ms. Wang joined the Company in 2000.

Non-executive Directors

Mr. Li Huafei (李華飛先生), aged 40, is a non-executive Director. Mr. Li graduated from 金陵職業大學 (Jinling Vocational University) in July 1985. Mr. Li is also deputy general manager of Nanjing Hi-Tech Venture Capital and the general manager of Bureau of State-owned Assets of Nanjing Municipality operating Holding Co., Ltd. (南京市國有資產管理經營控股有限責任公司) He was appointed the non-executive Director in 2001.

Ms. Zhao Hongying (趙紅英女士), aged 35, is a non-executive Director. Ms. Zhao obtained a master's degree in business administration from Nanjing University in June 1998. She is currently the deputy department head of the investment and finance department of Nanjing SVT Group (南京斯威特集團). Prior to that, she worked in a variety of positions including the deputy department head of the finance department of the No. 2 Construction Company of the Sinopec Group (中國石化集團第二建設公司). Ms. Zhao was appointed as a non-executive Director in 2001.

Mr. He Lianyi (賀連意先生), aged 53, is a non-executive Director. He has over 20 years of experience in the production management. Before joining the Company as a non-executive Director in 2000, Mr. He held the position of the general manager of Nanjing Dahe Advertising Engineering Industrial Co., Ltd. which he has been holding since 1998. Mr. He is the brother of Mr. He Chaobing.



Directors, Supervisors and Senior Management (Continued)

Independent non-executive Directors

Mr. Qiao Jun (喬均先生), aged 42, is an independent non-executive Director. He obtained a bachelor's degree in economics in July 1993 and master's degree in philosophy in March 1997 from Shanghai Jiaotong University. Mr. Qiao is currently a professor of the Nanjing Finance and Economics University (南京財經大學). Mr. Qiao was appointed as an independent non-executive Director in 2001.

Mr. Cheng Zhiming (成志明先生), aged 42, an independent non-executive Director. Mr. Cheng graduated from Nanjing University with a doctorate degree in December 1998. He is currently a professor of the Faculty of International Business, Nanjing University (南京大學). Mr. Cheng was appointed as an independent non-executive Director in 2002.

Mr. Li Yijing (李一敬先生), aged 72, an independent non-executive Director. Mr. Li was formerly a member of the consultative committee of the Nanjing branch of Bank of Communications (交通銀行). He is currently a member of the consultative panel of the Nanjing branch of Bank of Communications and holds a number of public posts including the committee member of the Nanjing Chief Accountant Association (南京總會計師協會) and a consultant of the China Chief Accountant Association (中國總會計師協會). Mr. Li was appointed as an independent non-executive Director in 2002.

Mr. Shen Jin (沈勁先生), aged 46, is an independent non-executive Director. He obtained a master's degree in language studies from Nanjing Normal University (南京師範大學) in October 1989 and a doctorate degree from the University of Hong Kong in November 2001. Mr. Shen is working as the deputy general manager for 紫金聯合發展有限公司 (Jijing Lianhe Development Co., Ltd.). Mr. Shen was appointed as an independent non-executive Director in 2003.

SUPERVISORS

Ms. Wang Mingmei (王明梅女士), aged 55, is a representative nominated by the Shareholders on the supervisory committee. Ms. Wang joined Dahe International in 1994 and held various positions including the deputy managing director of Dahe International. Ms. Wang is currently the general manager of the Nanjing branch of the Company.

Mr. Liu Jianbo (劉建波先生), aged 32, is a representative nominated by the Shareholders on the supervisory committee. Mr. Liu obtained a bachelor's degree in engineering from Nanjing University of Aeronautics and Astronautics in June 1990 and a master's degree in business administration from Nanjing Linye University in July 2000. He is currently working as a project manager in Nanjing Hi-tech Venture Capital Co., Ltd. (南京市高新技術風險投資股份有限公司). Prior to that, he worked in the securities department of a PRC company.

Mr. Xue Guiyu (薛貴余先生), aged 44, is a representative nominated by the employees of the Company on the supervisory committee. Prior to joining Dahe International, Mr. Xue worked in a manufacturing company in Nanjing for over 10 years. Mr. Xue joined the Group in 2000.

SENIOR MANAGEMENT

Mr. Qin Chao (秦超先生), aged 49, is the secretary to the Board and the vice president of the Company. Mr. Qin graduated from the School of Distance Learning of the Central Communist Party (中央黨校函授學院) in June 1988 studying managerial economics. Prior to joining the Company in 2001, Mr. Qin worked as the deputy factory manager of China Packaging Nanjing Plastic Packaging Materials Factory (南京塑膠包裝材料總廠) and also as a secretary to the Board and an assistant manager of Nanjing Zhongda Film (Group) Co., Ltd.



Review of Business Objectives

BUSINESS OBJECTIVES REVIEW

An analysis comparing the Group's business objectives as stated in the Company's prospectus with the Group's actual progress up to the year ended 31, December, 2003 together with the comparison between the use of proceeds as stated in the Company's prospectus and actual amount utilised for the period from 13th November, 2003 (date of listing) to 31st December, 2003 is set out below:

	Business Objectives	Actual Progress	Use of proceeds as stated in the Company's prospectus <i>HKD million</i>	Actual amount utilised <i>HKD million</i>	
1.	Expansion of the Group's existing outdoor advertising network	to acquire approximately 10,000 sq. m. of additional advertising space in Jiangsu, Jiangxi, Xinjiang and Zhejiang Provinces	has obtained advertising spaces of over 10,000 sq.m., which has been 100% completed	6.9	7.3
2.	Production and installation of new multi-media system based advertising media	to produce and install in outdoor display areas new multi-media system based advertising media	plan under examination	—	—
3.	Upgrading of production facilities to improve and maintain product quality	to purchase a large format printer from independent manufacturer	a large format imported multi-colour offset machine was purchased, its installation and testing work has been basically completed	7.5	5.9
4.	Strengthening of the Group's service platform in the PRC	to upgrade the computer networks of its major offices	plan under examination	1.9	—
		to identify and assess the viability of setting up additional branches or service centres in other cities of the PRC	plan under examination	16.3	—
		to identify franchisees for the "Dahe" poster printing operation in other developing cities on a continuous basis	Currently there is no suitable cooperation partner available	—	—



Report of the Directors

The Directors present their annual report together with the audited financial statements for the year ended 31st December, 2003.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries principally engage in the design, printing and production of outdoor advertising products and the dissemination of outdoor advertisement by renting outdoor advertising space in the PRC. The principal activities of the subsidiaries are set out in note 14 to the financial statements.

SEGMENTAL INFORMATION

The turnover and operating profit of the Group are entirely derived from the PRC on the provision of outdoor advertising services. Accordingly, no analysis by business or geographical segment is provided.

RESULTS AND APPROPRIATIONS

The profit of the Group for the year ended 31st December, 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 23 to 57.

The Directors propose to allocate the profits attributable to shareholders for the year ended 31st December, 2003 to both old and new shareholders, and pay a dividend of RMB0.00805 per share (including tax), totalling RMB6,681,500.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest customer and the five largest customers accounted for approximately 4% and 8% respectively of the Group's turnover.

In the year under review, the Group's largest supplier and five largest suppliers accounted for approximately 17% and 53% respectively of the Group's purchases.

None of the directors, their associates or any shareholders who, to the best knowledge of the directors, own more than 5% of the Company's issued share capital had any beneficial interest in the Company's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in notes 11 and 12 to the financial statements.

INTANGIBLE ASSETS

Details of the movements in intangible assets of the Group and the Company during the year are set out in note 13 to the financial statements.

SUBSIDIARIES

Particulars of the subsidiaries of the Company are set out in note 14 to the financial statements.

BANK LOANS

Particulars of bank loans of the Company are set out in note 19 to the financial statements.



Report of the Directors (Continued)

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 23 to the financial statements.

Shares were issued during the year pursuant to the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited to increase the capital base of the Company.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 24 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31st December, 2003, the reserves of the Group available for cash distribution or distribution in specie was amounted to approximately RMB45,621,000.

DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

Executive directors

HE Chaobing
JU Guanyu
WANG Weijie

Non-executive directors

LI Huafei
ZHAO Hongying
HE Lianyi

Independent non-executive directors

QIAO Jun
CHENG Zhiming
LI Yijing
SHEN Jin

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors of the Company and senior management of the Group are set out on pages 10 and 11 of the annual report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' and Supervisors' emoluments and those of the five highest paid individuals in the Group are set out in note 9 to the financial statements.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the executive directors and supervisors has entered into a service contract with the Company for an initial term of two years and three months commencing on 1st October, 2003, which may be renewed upon re-election and re-appointment.

Each of the non-executive directors and independent non-executive directors will be paid a fixed amount of director's fee per annum.

No Directors proposed for re-election at the forthcoming annual general meeting have a service contract with the Company which is not terminable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 27 to the financial statements, no directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND SUPERVISOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or Supervisors of the Company or any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 31st December, 2003.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Other than in connection with the issue of H shares on the GEM, the Group and the Company did not purchase, sell or redeem any of its listed securities during the year.



Report of the Directors (Continued)

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31st December, 2003, the interests and short positions of the Directors and the Supervisors (as if the requirements applicable to Directors under the Securities and Futures Ordinance (“SFO”) had applied to the Supervisors) in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.40 to 5.58 of the GEM Listing Rules were as follows:

Name of Director/ Supervisor (note 1)	Company/name of associated corporation	Capacity	Number of class of securities (note 2)	Approximate percentage of shareholding in the relevant class of securities
He Chaobing	Company	Interest of a controlled corporation (note 3)	405,200,000 domestic shares of RMB0.10 each (L)	69.86%
Ju Guanyu	Company	Beneficial owner	10,200,000 domestic shares of RMB0.10 each (L)	1.76%
He Lianyi	Company	Beneficial owner	6,400,000 domestic shares of RMB0.10 each (L)	1.10%
Wang Mingmei	Company	Beneficial owner	3,800,000 domestic shares of RMB0.10 each (L)	0.66%
Wang Weijie	Company	Beneficial owner	3,800,000 domestic shares of RMB0.10 each (L)	0.66%

Notes:

1. All of the persons named above are Directors, except Ms. Wang Mingmei is a Supervisor.
2. The letter “L” denotes the Director’s/Supervisor’s interests in such shares.
3. The interests in the domestic shares were held through 江蘇大賀國際廣告集團有限公司 (Jiangsu Dahe International Advertising Group, Co., Ltd.) (“Dahe International”) which was owned as to 90% by Mr. He Chaobing.

Save as disclosed above, as at 31st December, 2003 none of the Directors and the Supervisors has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.40 to 5.58 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES IN THE COMPANY

A. Substantial shareholders

As at 31st December, 2003, the following persons/entities had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO and were directly or indirectly interested in 10% or more of the shares of the Company:

Name of shareholder	Capacity	Number and class of securities (note 1)	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the entire issued share capital of the Company (note 4)
Dahe International	Beneficial owner	405,200,000 domestic shares of RMB0.10 each (L)	69.86%	48.82%
He Chaobing	Interest of a controlled corporation (note 2)	405,200,000 domestic shares of RMB0.10 each (L)	69.86%	48.82%
Yan Fen	Interest of spouse (note 3)	405,200,000 domestic shares of RMB0.10 each (L)	69.86%	48.82%

Notes:

1. The letter "L" denotes the person's/entity's interests in the domestic shares of the Company.
2. The interest in the domestic shares were held through Dahe International which was owned as to 90% by Mr. He Chaobing.
3. Ms. Yan Fen is the wife of Mr. He Chaobing and is deemed to be interested in the shares in which Mr. He Chaobing is interested under the provision of Divisions 2 and 3 of Part XV of the SFO.
4. Domestic shares and H Shares of the Company are treated as the same class of shares for such purpose.



Report of the Directors (Continued)

B. Other persons who are required to disclose their interests pursuant to Divisions 2 and 3 of Part XV of the SFO

As at 31st December, 2003, save for the persons/entities disclosed in sub-section A above, the following persons/entities had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Number and class of securities (note 1)	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the entire issued share capital of the Company (note 5)
Yan Jian	Beneficial owner	57,800,000 domestic shares of RMB0.10 each (L)	9.96%	6.97%
南京市高新技術 風險投資股份 有限公司 (Nanjing Hi-Tech Venture Capital Co., Ltd.)	Beneficial owner	50,000,000 domestic shares of RMB0.10 each (L)	8.62%	6.02%
南京市生產力 促進中心 (Nanjing Productivity Enhancement Centre)	Interest of a controlled corporation (note 2)	50,000,000 domestic shares of RMB0.10 each (L)	8.62%	6.02%
江蘇南大高科技 風險投資 有限公司 (Jiangsu Nanda Venture Capital Co., Ltd.)	Beneficial owner	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%
南京斯威特新 技術創業 有限責任公司 (Nanjing SVT New Technology Venture Co., Ltd.)	Interest of a controlled corporation (note 3)	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%

Report of the Directors (Continued)

Name	Capacity	Number and class of securities (note 1)	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the entire issued share capital of the Company (note 5)
南京斯威特集團有限公司 (Nanjing SVT Group Co., Ltd.)	Interest of a controlled corporation (notes 3 and 4)	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%
西安通郵科技有限公司 (Xian Tong You Technology Co., Ltd.)	Interest of a controlled corporation (notes 3 and 4)	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%

Notes:

1. The letter "L" denotes the person's/entity's interests in the domestic shares of the Company.
2. The interests in the domestic shares will be held through Nanjing Hi-Tech Venture Capital Co., Ltd., the registered capital of which is owned as to 60% by 南京市生產力促進中心 (Nanjing Productivity Enhancement Centre).
3. The interests in the domestic shares will be held through Jiangsu Nanda Venture Capital Co., Ltd., the registered capital of which is owned as to 80% by 南京斯威特新技術創業有限責任公司 (Nanjing SVT New Technology Venture Co., Ltd.).
4. 南京斯威特新技術創業有限責任公司 (Nanjing SVT New Technology Venture Co., Ltd.) is owned as to 55% by 南京斯威特集團有限公司 (Nanjing SVT Group Co., Ltd.), which is in turn owned as to 94% by 西安通郵科技有限公司 (Xian Tong You Technology Co., Ltd.).
5. Domestic shares and H Shares of the Company are treated as the same class of shares for such purpose.

Save as disclosed above, no other person/entity had an interest or a short position in the shares and underlying shares of the Company as recorded on 31st December, 2003 (being the date on which H shares of the Company first commenced trading on GEM) in the register required to be kept under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group and the Company was entered into or existed during the year.

COMPETING INTEREST

None of the directors, the management shareholders of the Company and their respective associates as defined under the GEM Listing Rules had any interest in a business which competes or may compete, either directly or indirectly, with the businesses of the Group nor any conflicts of interest which has or may have with the Group.



Report of the Directors (Continued)

PRE-EMPTIVE RIGHT

There are no provision for pre-emptive rights under the articles of association of the Company or the laws of the PRC, being the jurisdiction in which the Company was established, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CONNECTED TRANSACTIONS

During the year, the Group had certain connected transactions, further details of which are included in note 27 to the financial statements.

STAFF RETIREMENT SCHEME

Details of the staff retirement scheme of the Group are set out in note 10 to the financial statements.

SPONSORS' INTEREST

As updated and notified by the Company's sponsor, Guotai Junan Capital Limited ("Guotai Junan"), neither Guotai Junan nor its directors, employees or associates had any interest in the share capital of the Company as at 31st December, 2003 pursuant to Rules 6.36 and 18.63 of the GEM Listing Rules.

Pursuant to a sponsor agreement dated 13th November, 2003 between the Company and Guotai Junan, Guotai Junan has been appointed as the sponsors to the Company as required under the GEM Listing Rules for a fee from 13th November, 2003 to 31st December, 2005.

COMPLIANCE WITH THE GEM LISTING RULES

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of the H shares on the GEM on 13th November, 2003.

AUDIT COMMITTEE

The Company established an audit committee on 23rd October, 2003 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company. The audit committee comprises four independent non-executive directors, Mr Qiao Jun, Mr Cheng Zhiming, Mr Li Yijing and Mr Shen Jin. Its chairman is Mr. Qiao Jun. The audit committee has held one meeting since its formation.

AUDITORS

The financial statements have been audited by Horwath Hong Kong CPA Limited who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board
He Chaobing
Chairman and executive director

Nanjing, the PRC, 25th March, 2004



Report of Supervisors

To all shareholders,

In compliance with the relevant requirements of the laws, regulations of the People's Republic of China, Hong Kong and the Articles of Association, the Supervisory Committee of Nanjing Dahe Outdoor Media Co., Ltd. (the "Company") seriously discharged its duties in safeguarding the shareholders' interests and protecting the Company's benefits, and have complied with the principles of integrity, and carried out their work conscientiously, reasonably, prudently and diligently.

During the year, the Supervisory Committee made cautious review on the application of the proceeds in strict compliance with the use of proceeds as disclosed in the prospectus, and gave reasonable proposals and opinions to the Board on the Company's operations and development plans, and performed strict and effective supervision on whether important strategies and decisions of the management have been in compliance with the laws and regulations of the State and the Company's Articles of Association, and whether the shareholders interests have been safeguarded.

The Supervisory Committee cautiously reviewed and agreed with the Report of the Board of Directors, and the financial report as audited by Horwath Hong Kong CPA Limited and the profit allocation scheme to be submitted by the Board to the AGM. The Supervisory Committee considers that the members of the Board and other senior management have exercised their duties in strict compliance with the principles of fidelity, and carried out their works conscientiously to create maximum benefits to the Company. None of the Directors and senior management has been discovered to have abused their rights, harmed the benefits of the Company or infringed the interests of the shareholders and the staff of the Company, nor have they violated any laws, regulations and the Company's Articles of Association.

The Supervisory Committee is satisfied at the various works of the Company in 2003 and the economic effect obtained, and is confident for the prospects of the Company's future developments.

By Order of the Board
Chairman
Wang Mingmei

Nanjing, the PRC, 20th March, 2004



Report of the Auditors



Horwath Hong Kong CPA Limited

2001 Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Telephone : (852) 2526 2191
Facsimile : (852) 2810 0502
www.horwath.com.hk

TO THE SHAREHOLDERS OF NANJING DAHE OUTDOOR MEDIA CO., LTD.

(南京大賀戶外傳媒股份有限公司)

(joint stock company established in the People's Republic of China with limited liability)

We have audited the financial statements on pages 23 to 57 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors of the Company are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2003 and of the profit and cash flows of the Group for the year ended 31st December, 2003 and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

HORWATH HONG KONG CPA LIMITED

Certified Public Accountants

Hong Kong, 25th March, 2004

Chan Kam Wing, Clement

Practising Certificate number P02038



Consolidated Income Statement

For the year ended 31st December, 2003
(Expressed in Renminbi)

	<i>Note</i>	2003 RMB'000	2002 <i>RMB'000</i>
Turnover	3	166,464	158,644
Cost of sales		(104,819)	(93,597)
Gross profit		61,645	65,047
Other revenue	4	5,884	3,501
Distribution and selling costs		(17,334)	(21,025)
Administrative expenses		(16,256)	(16,149)
Profit from operations	5	33,939	31,374
Finance costs	6	(3,079)	(1,600)
Profit before taxation		30,860	29,774
Taxation	7	(6,366)	(103)
Profit before minority interests		24,494	29,671
Minority interests		6	16
Net profit for the year		24,500	29,687
Dividend	25	6,682	5,800
Earnings per share — Basic (RMB)	8	0.04	0.051

The notes on pages 31 to 57 form part of these financial statements.



Consolidated Balance Sheet

At 31st December, 2003
(Expressed in Renminbi)

	<i>Note</i>	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Assets and liabilities			
Non-current assets			
Property, plant and equipment	11	129,016	132,133
Construction in progress	12	32,605	5,717
Intangible assets	13	5,329	2,346
Finance lease receivables	15	171	281
		<hr/> 167,121 <hr/>	<hr/> 140,477 <hr/>
Current assets			
Inventories	16	8,053	9,702
Finance lease receivables	15	174	123
Trade and note receivables	17	17,881	14,815
Other receivables, deposits and prepayments	18	17,702	6,151
Income tax recoverable		—	3,141
Bank balances and cash		129,333	13,620
		<hr/> 173,143 <hr/>	47,552
Current liabilities			
Bank loans	19	75,000	13,000
Trade payables	20	8,336	13,830
Other payables, deposits received and accruals		11,071	6,350
Deferred advertising income		5,383	1,461
Amount due to holding company	27(b)	—	300
Amount due to a related company	27(c)	1,032	—
Amount due to a minority shareholder	27(d)	—	250
Dividend payable	25	—	3,384
Other tax payables	21	995	937
Income tax payable		2,030	—
		<hr/> 103,847 <hr/>	<hr/> 39,512 <hr/>
Net current assets		<hr/> 69,296 <hr/>	<hr/> 8,040 <hr/>
Total assets less current liabilities carried forward		<hr/> 236,417 <hr/>	<hr/> 148,517 <hr/>

The notes on pages 31 to 57 form part of these financial statements.



Consolidated Balance Sheet (Continued)

At 31st December, 2003
(Expressed in Renminbi)

	<i>Note</i>	2003 RMB'000	2002 <i>RMB'000</i>
Total assets less current liabilities brought forward		236,417	148,517
Non-current liabilities			
Bank loans	19	—	45,000
Other payables	22	1,200	7,667
		(1,200)	(52,667)
Minority interests		(1,729)	(1,725)
Net assets		233,488	94,125
Capital and reserves			
Share capital	23	83,000	58,000
Reserves		150,488	36,125
Shareholders' funds		233,488	94,125

These financial statements were approved and authorised for issue by the board of directors on 25th March, 2004

He Chaobing
Director

Wang Weijie
Director

The notes on pages 31 to 57 form part of these financial statements.



Balance Sheet

At 31st December, 2003
(Expressed in Renminbi)

	<i>Note</i>	2003 RMB'000	2002 <i>RMB'000</i>
Assets and liabilities			
Non-current assets			
Property, plant and equipment	11	126,283	131,727
Construction in progress	12	32,605	5,717
Intangible assets	13	1,900	—
Investments in subsidiaries	14	9,465	5,775
		170,253	143,219
Current assets			
Inventories	16	8,048	9,702
Trade and note receivables	17	17,732	14,800
Other receivables, deposits and prepayments	18	11,063	6,009
Amount due from a subsidiary	14	6,358	—
Income tax recoverable		—	3,146
Bank balances and cash		128,937	13,418
		172,138	47,075
Current liabilities			
Bank loans	19	75,000	13,000
Trade payables	20	7,984	13,830
Other payables, deposits received and accruals		10,956	6,313
Deferred advertising income		4,787	1,461
Amount due to a subsidiary	14	4,236	4,529
Amount due to a related company	27(c)	989	—
Dividend payable	25	—	3,384
Other tax payables	21	972	937
Income tax payables		2,037	—
		106,961	43,454
Net current assets		65,177	3,621
Total assets less current liabilities carried forward		235,430	146,840

The notes on pages 31 to 57 form part of these financial statements.



Balance Sheet (Continued)

At 31st December, 2003
(Expressed in Renminbi)

	<i>Note</i>	2003 RMB'000	2002 <i>RMB'000</i>
Total assets less current liabilities brought forward		235,430	146,840
Non-current liabilities			
Bank loans	19	—	45,000
Other payables	22	1,200	7,667
		(1,200)	(52,667)
Net assets		234,230	94,173
Capital and reserves			
Share capital	23	83,000	58,000
Reserves	24	151,230	36,173
Shareholders' funds		234,230	94,173

These financial statements were approved and authorised for issue by the board of directors on 25th March, 2004

He Chaobing
Director

Wang Weijie
Director

The notes on pages 31 to 57 form part of these financial statements.



Consolidated Statement of Changes in Equity

For the year ended 31st December, 2003
(Expressed in Renminbi)

	Share Capital RMB'000 (note 23)	Share premium RMB'000	PRC statutory funds		Retained profits RMB'000	Total reserves RMB'000	Total RMB'000
			Statutory surplus reserve RMB'000 (note 24(i))	Staff welfare reserve RMB'000 (note 24(ii))			
Balance at 31st December, 2001	58,000	82	—	—	6,356	6,438	64,438
Net profit for the year	—	—	—	—	29,687	29,687	29,687
Transfer	—	—	3,097	1,549	(4,646)	—	—
Balance at 31st December, 2002	58,000	82	3,097	1,549	31,397 ^(a)	36,125	94,125
New issue of H shares							
on public listing	25,000	116,324	—	—	—	116,324	141,324
Share issue expenses	—	(20,661)	—	—	—	(20,661)	(20,661)
Net profit for the year	—	—	—	—	24,500	24,500	24,500
Dividend declared and paid	—	—	—	—	(5,800)	(5,800)	(5,800)
Transfer	—	—	2,953	1,476	(4,429)	—	—
Balance at 31st December, 2003	83,000	95,745	6,050	3,025	45,668^(b)	150,488	233,488

- (a) The proposed final dividends at 31st December 2002 and balance of retained profits after proposed final dividends were approximately RMB5,800,000 and RMB25,597,000 respectively.
- (b) The proposed final dividends at 31st December 2003 and balance of retained profits after proposed final dividends were approximately RMB6,682,000 and RMB38,986,000 respectively.

The notes on pages 31 to 57 form part of these financial statements.



Consolidated Cash Flow Statement

For the year ended 31st December, 2003

(Expressed in Renminbi)

	2003	2002
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before taxation	30,860	29,774
Adjustments for:		
Interest income	(87)	(73)
Interest expense	2,961	1,534
Depreciation	21,445	16,654
Amortisation of advertising rights	225	29
Loss on disposal of property, plant and equipment	153	16
Provision for bad and doubtful debts	843	517
Provision for obsolete inventories	90	—
Amortisation of goodwill	134	—
Write back of negative goodwill	—	(10)
Impairment of goodwill	—	6
Operating profit before working capital changes	56,624	48,447
Decrease/(increase) in inventories	1,560	(1,402)
Increase in trade and note receivables	(3,785)	(6,862)
Increase in other receivables, deposits and prepayments	(12,214)	(3,981)
Decrease in amount due from a fellow subsidiary	—	762
Decrease in trade payables	(5,518)	(12,885)
(Decrease)/increase in other payables, deposits received and accruals	(4,959)	835
Decrease in amount due to holding company	(300)	(298)
Increase/(decrease) in amount due to a related company	1,032	(21,206)
Increase in deferred advertising income	3,922	1,461
Decrease in amount due to a minority shareholder	(250)	(25)
Increase in other tax payables	55	159
Decrease in finance lease receivables	59	—
Cash generated from operations	36,226	5,005
Interest paid	(2,961)	(1,534)
PRC income tax paid	(3,811)	(6,253)
PRC income tax refunded	2,616	3,129
Net cash generated from operating activities carried forward	32,070	347

The notes on pages 31 to 57 form part of these financial statements.



Consolidated Cash Flow Statement (Continued)

For the year ended 31st December, 2003
(Expressed in Renminbi)

	<i>Note</i>	2003 RMB'000	2002 RMB'000
Net cash generated from operating activities brought forward		32,070	347
Cash flows from investing activities			
Acquisition of property, plant and equipment		(18,048)	(35,519)
Sales proceed on disposal of property, plant and equipment		8	1
Payments for construction in progress		(25,715)	(13,345)
Acquisition of advertising rights		(400)	—
Disposal of an associate		—	2,000
Acquisition of a subsidiary (net of cash acquired)	26(b)	(768)	(1,170)
Deposit for the acquisition of a subsidiary	26(b)	—	(656)
Partial acquisition of minority interest		—	(1,950)
Interest received		87	73
Net cash used in investing activities		(44,836)	(50,566)
Cash flows from financing activities			
Net Proceeds from issue of shares	26(a)	120,663	—
New bank loans raised	26(a)	123,000	83,000
Repayment of bank loans	26(a)	(106,000)	(33,000)
Dividend paid		(9,184)	—
Capital contribution from minority interest		—	2,450
Net cash generated from financing activities		128,479	52,450
Net increase in bank balances and cash		115,713	2,231
Bank balances and cash at beginning of year		13,620	11,389
Bank balances and cash at end of year		129,333	13,620

The notes on pages 31 to 57 form part of these financial statements.



Notes to the Financial Statements

(Expressed in Renminbi)

1. ORGANISATION AND OPERATIONS

The Company is a joint stock company established in the People's Republic of China with limited liability and its H shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") on 13th November, 2003.

The Company principally engages in the design, printing and production of outdoor advertising products and the dissemination of outdoor advertisement by renting outdoor advertising spaces in the PRC. The principal activities of the subsidiaries are set out in note 14 to the financial statements.

The directors consider the ultimate holding company to be Jiangsu Dahe International Advertising Group, Co., Ltd. (江蘇大賀國際廣告集團有限公司) ("Dahe International"), a company established in the PRC.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements also comply with the disclosure provisions of the rules governing the Listing of Securities on the GEM.

The financial statements have been prepared under the historical cost convention.

(b) Basis of consolidation

The consolidated financial information incorporates the financial information of the Company and its subsidiaries made up to 31st December each year.

The results of the subsidiaries acquired or disposed of during the year are included or excluded in the consolidated income statement from the effective date of acquisition or disposal, as appropriate.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.



Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Goodwill

Positive goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the identifiable net assets at the date of acquisition. In respect of subsidiaries, positive goodwill is amortised to the consolidated income statement on a straight line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses.

Negative goodwill represents the excess of the fair value ascribed to the Group's share of the separate net assets over the purchase consideration at the date of acquisition. Negative goodwill is accounted for to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

In respect of any negative goodwill for subsidiaries not yet recognised in the consolidated income statement, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill.

On disposal of a subsidiary during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement is included in the determination of the profit or loss on disposal.

(d) Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhead costs, is charged to the profit and loss account in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

Depreciation is provided on a straight line basis to write off the cost of property, plant and equipment over their estimated useful lives after taking into account their estimated residual values. The estimated useful lives are as follows:-

Leasehold land and buildings	Over the term of the lease
Outdoor advertising displays	Over the term of the advertising right contract
Furniture, fixtures and equipment	5 years
Production equipment	8 to 10 years
Motor vehicles	6 years

The gain or loss arising from the retirement or disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as an income or expense in the profit and loss account.

(e) Construction in progress

Construction in progress is stated at cost, which includes land cost and the related construction and borrowing costs, as appropriate. When the construction is completed and the asset is ready for its intended use, the related cost is transferred to an appropriate category of property, plant and equipment and depreciated in accordance with the above policy.

(f) Advertising rights

Advertising rights represent fees paid to secure exclusive rights to sell advertising space on certain specified assets or at certain specified locations for a specific period of time. Advertising rights acquire outright by the Group which the Group has the right of transfer are capitalised as intangible assets. Other contracts obtained are accounted for as operating leases of advertising rights.

Capitalised advertising rights are stated at cost less accumulated amortisation and any impairment losses.

Amortisation is calculated on a straight line basis over the agreed period of use of the advertising rights of 20 years, starting from the date of the commercial use of the advertising rights.

(g) Subsidiary

A subsidiary is an enterprise in which the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Investment in subsidiaries are included in the Company's balance sheet at cost less any impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividend received and receivable.



Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its net selling price and value in use, in order to determine the extent of the impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first in first out method of costing and includes all costs of purchase and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is calculated based on actual or estimated selling prices in the ordinary course of business, less further costs expected to be incurred for selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

(j) Receivables

Provision is made against receivables to the extent they are considered to be doubtful. Receivables in the balance sheets are stated net of such provision.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(l) Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Rentals payable under operating leases are charged to profit and loss account on a straight line basis over the terms of the relevant leases.

(m) Government subsidies

Subsidies from the PRC government are recognised at their fair value when they are received, or when there is reasonable assurance that they will be received and all attached conditions have been complied with. When a subsidy relates to an expense item, it is recognised as income over the periods necessary to match the subsidy, on a systematic basis, with the costs which it is intended to compensate. Where a subsidy relates to an asset, the fair value of the subsidy is deducted in arriving at the carrying amount of the related asset, or, as appropriate, is initially recorded as deferred income in the balance sheet, and thereafter recognised as income over the useful life of the relevant asset.



Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

Deferred taxation is provided for on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(o) Translation of foreign currencies

Foreign currency transactions are translated into Renminbi at the exchange rates ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated into Renminbi at the rates of exchange ruling at the balance sheet date. Exchange gains and losses on foreign currency translation are dealt with in the profit and loss account.

(p) Employees' benefits

i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

ii) Retirement benefit scheme contributions

Contributions payable by the Group to its defined contribution retirement benefit scheme operated by a local Municipal Government in the PRC are charged to the profit and loss account in the year in which they fall due.

(q) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Revenue recognition

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group, as follows:

- i) Revenue from signage production and sale of LED displays and lamps are recognised when products are delivered and the customer has accepted the goods and the related risks and rewards of ownership.
- ii) Revenue from the renting of outdoor advertising space is recognised over the term of the relevant contract and to the extent of services rendered.
- iii) Franchise fee income is recognised according to the terms of the franchising agreement.
- iv) Interest income is recognised on a time proportion basis on the principal outstanding and at the interest rates applicable.
- v) Government subsidies are recognised when the right to receive such subsidies is established and receipt thereof is probable.
- vi) Rental income from operating leases is recognised in equal instalments over the accounting periods covered by the lease term.

(s) Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice versa, or where the Group and the other party are subject to common control or common significant influence. Related parties may be individuals or other entities.

3. TURNOVER

Turnover comprises the invoiced amount of production and advertising services provided to outside customers after allowances for returns and discounts, advertising income and franchise fee income earned and is analysed as follows:-

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Outdoor advertisement design and production fees		
- Printed posters	129,984	156,481
- Electronic media (LED displays)	8,399	1,268
- Sale of lamps for outdoor advertisement	9,348	—
Advertising income from the renting of outdoor advertising space	18,717	825
Franchise fee income	16	70
	166,464	158,644

The turnover and operating profit of the Group are entirely derived from one business segment which is the provision of outdoor advertising services in the PRC. Accordingly, no analysis by business or geographical segment is provided.



Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

4. OTHER REVENUE

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Government subsidies		
- Interest subsidy (<i>note (a)</i>)	650	1,200
- Other subsidy (<i>notes (b)</i>)	3,404	1,880
Compensation received (<i>note (c)</i>)	—	199
Claims received from suppliers (<i>note (d)</i>)	1,048	—
Rental income (<i>note 27(a)(v)</i>)	240	—
Bank interest income	87	73
Finance lease income	40	—
Others	415	149
	5,884	3,501

Notes:

- (a) The Company received cash subsidies from Nanjing Finance Bureau in accordance with Loan Interest Subsidy Programs. The subsidies were granted to subsidise the interest expenses on loans taken out for the purposes of printing technology improvements.
- (b) The Company received various cash grants from the Nanjing Economy and Technology Development Zone Management Committee, Shanghai Longhua Economic Development Zone, Gaochun Technology Improvement Fund and Szechuan Finance Department for encouraging the establishment of businesses in the Technology Development Zone in Nanjing, Longhua area in Shanghai, Changdu and Gaochun. The grants were computed based on 35% to 50% of business tax paid in respect of the previous year.
- (c) The Company received a compensation in cash during the year ended 31st December, 2002 from the Nanjing Local Government for the compulsory repossession of the land by the government which the Company has leased for its production base. The lease was terminated in August 2002.
- (d) Claims were received from suppliers as compensation for substandard quality of raw materials supplied to the Company.



Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

5. PROFIT FROM OPERATIONS

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Profit from operations is arrived at after charging:		
Business taxes (included in cost of sales)	7,717	8,507
Auditors' remuneration	320	200
Depreciation	21,445	16,654
Amortisation of advertising rights	225	29
Amortisation of goodwill	134	—
Provision for bad and doubtful debts	843	517
Provision for obsolete inventory	90	—
Loss on disposal of property, plant and equipment	153	16
Staff costs (excluding directors' and supervisors' emoluments)		
- Salaries, bonus and allowances	20,330	18,874
- Retirement benefit scheme contributions	750	176

6. FINANCE COSTS

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Interest on bank loans wholly repayable within five years	3,858	1,534
Less: amounts capitalised	(897)	—
	2,961	1,534
Bank charges	40	66
Exchange loss	78	—
	3,079	1,600



Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

7. TAXATION

The provision for PRC Enterprise Income Tax (“EIT”) is based on the estimated taxable income for PRC taxation purposes at the rate of taxation applicable for the year.

Pursuant to the relevant laws and regulations in the PRC, the Company, having qualified as a new and high technology enterprise and registered in a high technology zone, is exempted from PRC EIT for the two years ended 31st December, 2001 and 2002. Thereafter, the Company is eligible for a preferential income tax rate of 15% for subsequent years. Accordingly, the Company is subject to income tax rate of 15% for the year ended 31st December, 2003.

However, based upon the local income tax regulations, profits of the Company’s branches at Wuhan, Guangzhou, Shenzhen and Shanghai are subject to a separate assessment. Taxation on Wuhan, Guangzhou, Shenzhen and Shanghai branches is levied based on the EIT rate of 33%, 33%, 15% and 33% on the estimated taxable income of these branches respectively. Taxation shown in the income statement for the year ended 31st December, 2002 represented the PRC Enterprise Income Tax in respect of Shenzhen branch.

The subsidiaries are subject to standard tax rate of 33%.

The reconciliation between the Group’s profit tax for the year and the amount which is calculated based on the standard tax rate of 33% in the PRC is as follows:

	2003	2002
	<i>RMB’000</i>	<i>RMB’000</i>
Profit before taxation	30,860	29,774
Tax calculated at the statutory PRC tax rate of 33%	10,184	9,826
Expenses not deductible for taxation purposes	2,156	—
Non-taxable items such as subsidy	245	—
Pre-acquisition profit borne by the Group	—	17
Utilisation of previously unrecognised tax loss	—	(13)
Deferred tax benefits arising from tax losses of subsidiaries not recognised	204	22
Exemption/reduction of income tax under preferential tax treatment	(7,126)	(9,749)
Underprovision in respect of prior year	703	—
Taxation	6,366	103

The Group did not have any unprovided deferred taxation.

8. EARNINGS PER SHARE

The calculation of the earnings per share for the year ended 31st December, 2003 is based on the net profit of RMB24,500,000 (2002: RMB29,687,000) and on the weighted average number of shares in issue as if the subdivision of shares as disclosed in note 23(a) has been effective from 1st January, 2002.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

- (a) Details of emoluments paid by the Group to the directors of the Company were all below HK\$1,000,000 and as follows:

	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:		
Fees	—	—
Salaries and allowances	300	186
Bonus	67	65
Retirement benefit scheme contributions	14	11
	381	262
Number of directors	3	3
Director A	217	130
Director B	93	79
Director C	71	53
	381	262
Independent non-executive directors:		
Fees	76	24
Salaries and allowances	—	—
Bonus	—	—
Retirement benefit scheme contributions	—	—
	76	24
Number of directors	4	3
Director A	26	—
Director B	24	24
Director C	26	—
Director D	—	N/A
	76	24

During the two years ended 31st December, 2003, no emoluments were paid or payable by the Group to the non-executive directors of the Company.

There were no arrangements under which a director waived or agreed to waive any emoluments, and no incentive payment nor compensation for loss of office was paid or payable to any director during the year.



Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

- (b) Details of the emoluments paid by the Group to the supervisors of the Company were all below HK\$1,000,000 and as follows:

	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and allowances	231	110
Bonus	30	63
Retirement benefit scheme contributions	4	2
	265	175
Number of supervisors	3	3
Supervisor A	182	89
Supervisor B	83	86
Supervisor C	—	—
	265	175

There were no arrangements under which a supervisor waived or agreed to waive any emoluments, and no incentive payment nor compensation for loss of office was paid or payable to any supervisor during the year.

- (c) Details of the emoluments paid to the five highest paid individuals for the year ended 31st December, 2003 included one director (2002: two) and one supervisor (2002: one) whose emoluments are set out above. Details of remuneration of the remaining three (2002: two) highest paid employees during the two years ended 31st December, 2003 were as follows:

	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and allowances	309	137
Bonus	79	20
Retirement benefit scheme contributions	—	1
	388	158

During the year, no emoluments were paid by the Group to the highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of offices.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

10. RETIREMENT BENEFIT SCHEME

The employees of the Group are members of a defined contribution retirement benefit scheme operated by a local Municipal Government. The Group and the employees are each required to make contributions to the retirement benefit scheme at the rates based on certain percentages of the employees' basic salaries in accordance with the relevant regulations in the PRC, which range from 18% to 26% and are charged to the profit and loss account as incurred. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Outdoor advertising displays <i>RMB'000</i>	Production equipment <i>RMB'000</i>	Furniture, fixture and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
The Group							
Cost:							
At 1st January, 2003	14,897	353	6,910	119,856	11,942	3,702	157,660
Acquisition of a subsidiary	—	—	—	—	68	—	68
Additions	2	330	13,917	2,078	922	1,200	18,449
Disposals	—	—	(176)	—	(103)	—	(279)
At 31st December, 2003	14,899	683	20,651	121,934	12,829	4,902	175,898
Accumulated depreciation:							
At 1st January, 2003	85	138	225	22,729	1,962	388	25,527
Acquisition of a subsidiary	—	—	—	—	23	—	23
Charge for the year	550	100	1,598	15,824	2,606	767	21,445
Written back on disposal	—	—	(45)	(1)	(67)	—	(113)
At 31st December, 2003	635	238	1,778	38,552	4,524	1,155	46,882
Net book value:							
At 31st December, 2003	14,264	445	18,873	83,382	8,305	3,747	129,016
At 31st December, 2002	14,812	215	6,685	97,127	9,980	3,314	132,133

The Group's leasehold land and buildings are situated in the PRC under long term land use rights.



Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold land and buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Outdoor advertising displays <i>RMB'000</i>	Production equipment <i>RMB'000</i>	Furniture, fixture and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
The Company							
Cost:							
At 1st January, 2003	14,897	353	6,470	119,856	11,930	3,702	157,208
Additions	2	330	11,624	2,078	838	1,200	16,072
Disposals	—	—	(176)	—	(93)	—	(269)
At 31st December, 2003	14,899	683	17,918	121,934	12,675	4,902	173,011
Accumulated depreciation:							
At 1st January, 2003	85	138	183	22,729	1,958	388	25,481
Charge for the year	550	100	1,526	15,823	2,582	767	21,348
Written back on disposal	—	—	(45)	—	(56)	—	(101)
At 31st December, 2003	635	238	1,664	38,552	4,484	1,155	46,728
Net book value:							
At 31st December, 2003	14,264	445	16,254	83,382	8,191	3,747	126,283
At 31st December, 2002	14,812	215	6,287	97,127	9,972	3,314	131,727

The Company's leasehold land and buildings are situated in the PRC under long term land use rights.

12. CONSTRUCTION IN PROGRESS

	The Group and the Company	
	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
At beginning of year	5,717	8,718
Additions	27,288	13,345
Transferred to property, plant and equipment	(400)	(16,346)
At end of year	32,605	5,717

Included in construction in progress is net interest capitalised of approximately RMB897,000 (2002: RMBNil).

Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

13. INTANGIBLE ASSETS

	The Group		The Company	
	Goodwill	Advertising rights	Total	Advertising rights
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1st January, 2003	—	2,500	2,500	—
Arising on acquisition of a subsidiary	1,342	—	1,342	—
Additions	—	2,000	2,000	2,000
At 31st December, 2003	1,342	4,500	5,842	2,000
Accumulated amortisation:				
At 1st January, 2003	—	154	154	—
Charge for the year	134	225	359	100
At 31st December, 2003	134	379	513	100
Net book value:				
At 31st December, 2003	1,208	4,121	5,329	1,900
At 31st December, 2002	—	2,346	2,346	—

Advertising rights are measured initially at purchase cost and amortised on a straight line basis over their estimated useful lives of 20 years.

Goodwill arising on acquisition of a subsidiary was related to the acquisition of 90% interest in Shanghai Dahe Yasi as disclosed in note 14(a) to the financial statements. It is amortised on a straight line basis over its estimated useful life of 10 years.



Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

14. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2003 RMB'000	2002 RMB'000
Capital contribution	<u>9,465</u>	<u>5,775</u>
Amounts due from subsidiaries	<u>6,358</u>	<u>—</u>
Amount due to a subsidiary	<u>(4,236)</u>	<u>(4,529)</u>

Details of the Company's subsidiaries at the balance sheet dates are as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest			Principal activity
		Group's effective interest %	Held by		
			the Company %	Held by subsidiaries %	
Nanjing Ultralon Investment Management Co., Ltd. ("Nanjing Ultralon") (南京歐特龍投資管理有限公司)	PRC	90	90	—	Investment holdings; franchise of poster printing operation; corporate image planning and consultancy
Beijing Dahe Shuanglong Advertising Co., Ltd. ("Beijing Dahe Shuanglong") (北京大賀雙龍廣告有限公司)	PRC	51	51	—	Dissemination of outdoor media advertisement
Shanghai Dahe Yasi Advertising Co., Ltd. ("Shanghai Dahe Yasi") (上海大賀雅思廣告有限公司) (note a)	PRC	90	90	—	Dissemination of outdoor media advertisement
Hangzhou Ultralon Advertising Co., Ltd. (杭州歐特龍廣告有限公司) (note b)	PRC	99	90	10	Dissemination of outdoor media advertisement
Chengdu Ultralon Advertising Co., Ltd. ("Chengdu Ultralon") (成都歐特龍廣告有限公司) (note c)	PRC	99	90	10	Dissemination of outdoor media advertisement

Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Notes:

- (a) On 1st January, 2003, the Company completed the acquisition of 90% equity interest in Shanghai Dahe Yasi for a consideration of RMB1,440,000 which was determined after arm's length negotiation between the relevant parties.
- (b) On 9th July, 2003, the Company, together with Nanjing Ultralon, established Hangzhou Ultralon with a registered capital of RMB1,500,000 which is owned as to 90% by the Company and 10% by Nanjing Ultralon.
- (c) On 21st August, 2003, the Company, together with Nanjing Ultralon, established another limited liability company, Chengdu Ultralon with a registered capital of RMB1,000,000 which is owned as to 90% by the Company and 10% by Nanjing Ultralon.

15. FINANCE LEASE RECEIVABLES

The Group

	Minimum lease payments		Present value of minimum lease payments	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Amounts receivable under finance leases:				
Within one year	292	216	174	123
In the second to fifth years inclusive	288	492	171	281
	<u>580</u>	<u>708</u>	<u>345</u>	<u>404</u>
Less:				
Unearned finance income	235	304		
Present value of minimum lease receivables	<u>345</u>	<u>404</u>		
Less:				
Amount due for settlement within 12 months (shown under current assets)			174	123
Amount due for settlement after 12 months			<u>171</u>	<u>281</u>

The Group entered into an arrangement with a franchisee leasing one production equipment to the franchisee under a finance lease. The lessee is required to pay fixed monthly rental over the lease term of five years. Upon completion of the lease term, the franchisee has the option to purchase the equipment at the consideration of RMB1.



Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

16. INVENTORIES

	The Group		The Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Inventories comprises:				
Raw materials	6,038	7,625	6,033	7,625
Work in progress	1,065	1,282	1,065	1,282
Finished goods	950	795	950	795
	8,053	9,702	8,048	9,702

As at 31st December, 2003 inventories of the Group and the Company amounting to approximately RMB268,000 (2002 : Nil) were carried at net realisable value.

17. TRADE AND NOTE RECEIVABLES

The Group and the Company allow an average credit period of 30 to 360 days to their trade customers. The aged analysis of trade and note receivables at the balance sheet dates is as follows:

	The Group		The Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Within 1 month	7,670	6,177	7,625	6,177
Between 2 to 3 months	5,124	4,842	5,117	4,842
Between 4 to 6 months	2,716	1,848	2,716	1,833
Between 7 to 12 months	1,468	1,367	1,379	1,367
Between 1 to 2 years	811	581	803	581
Between 2 to 3 years	92	—	92	—
	17,881	14,815	17,732	14,800

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Other receivables	763	222	701	222
Deposits	7,050	2,785	6,630	2,643
Prepayments	9,889	3,144	3,732	3,144
	17,702	6,151	11,063	6,009

The amount of prepayments of the Group and the Company expected to be utilised after more than one year were approximately RMB4,076,000 (2002 : Nil) and RMB322,000 (2002 : Nil) respectively. All the other receivables, deposits and prepayments are expected to be recovered within one year.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

19. BANK LOANS

As at the balance sheet date, bank loans were repayable as follows:

	The Group and the Company	
	2003 RMB'000	2002 RMB'000
Within one year	75,000	13,000
In the second year	—	45,000
	<u>75,000</u>	<u>58,000</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	(75,000)	(13,000)
	<u>—</u>	<u>45,000</u>

	The Group and the Company	
	2003 RMB'000	2002 RMB'000
The bank loans were secured by:		
Corporate guarantees given by holding company and a fellow subsidiary	—	30,000
Properties owned by holding company and a shareholder	—	8,000
Bank deposits of holding company	—	15,000
	<u>—</u>	<u>53,000</u>

The bank loans carry interest at a range from 4.536% to 5.49% per annum.

20. TRADE PAYABLES

The aged analysis of trade payables at the balance sheet dates is as follows:

	The Group		The Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Within 1 month	3,779	6,943	3,779	6,943
Between 2 to 3 months	1,772	4,499	1,422	4,499
Between 4 to 6 months	1,117	925	1,117	925
Between 7 to 12 months	1,296	1,463	1,294	1,463
Between 1 to 2 years	372	—	372	—
	<u>8,336</u>	<u>13,830</u>	<u>7,984</u>	<u>13,830</u>



Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

21. OTHER TAX PAYABLES

	The Group		The Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Other tax payables comprises:				
Business taxes	745	695	734	695
Value added taxes	118	142	117	142
City construction taxes	52	58	51	58
Others	80	42	70	42
	995	937	972	937

22. OTHER PAYABLES

Other payables as at 31st December, 2002 represented the balance of consideration outstanding in respect of the property, plant and equipment acquired from Nanjing Dahe Laser Printing Co., Ltd. (南京大賀鐳射噴繪有限公司) (“Nanjing Dahe Laser”). As at 31st December, 2003, the amount remained unsettled was approximately RMB1,753,000. The balance was interest free, unsecured and was fully repaid on 15th January, 2004. Accordingly, the amount was included in current liabilities.

23. SHARE CAPITAL

	Number of shares '000	Amount RMB'000
Registered, issued and fully paid:		
Total domestic shares of RMB1.0 each at 1st January, 2002 and 2003	58,000	58,000
Sub-division of domestic shares from RMB1.0 each to RMB0.1 each (<i>Note a</i>)	522,000	—
New issue of H shares on placing and public offer (<i>Note b</i>)	250,000	25,000
Total domestic shares and H shares of RMB0.1 each at 31st December, 2003	830,000	83,000

Notes:

- (a) Pursuant to the approval granted by the China Securities Regulatory Commission on 25th April, 2003, the 58,000,000 shares of RMB1.00 each of the Company was subdivided into 580,000,000 shares of RMB0.10 each.
- (b) On 13th November, 2003, pursuant to the listing of the Company's shares on the GEM, the Company issued 250,000,000 H shares of RMB0.10 each for cash of HK\$0.53 per share.

Domestic shares and H shares are both ordinary shares in the share capital of the Company. However, H shares may only be subscribed for by, and traded in Hong Kong dollars between legal or natural persons of Hong Kong, Macau, Taiwan or any country other than the PRC. Domestic shares, on the other hand, may only be subscribed for by, and traded between legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan) and must be subscribed for and traded in Renminbi. All dividends in respect of H shares are to be paid by the Company in Hong Kong dollars whereas all dividends in respect of domestic shares are to be paid by the Company in Renminbi. Other than the above, all domestic shares and H shares rank pari passu with each other in all respects and rank equally for all dividends or distributions declared, paid or made.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

24. RESERVES

	PRC Statutory funds				Total RMB'000
	Share premium RMB'000	Statutory surplus reserve ⁽ⁱ⁾ RMB'000	Staff welfare reserve ⁽ⁱⁱ⁾ RMB'000	Retained profits RMB'000	
The Company					
At 31st December, 2001	82	—	—	6,356	6,438
Net profit for the year	—	—	—	29,735	29,735
Transfer	—	3,097	1,549	(4,646)	—
At 31st December, 2002	82	3,097	1,549	31,445 ⁽ⁱⁱⁱ⁾	36,173
New issue of H shares on public listing	116,324	—	—	—	116,324
Share issue expenses	(20,661)	—	—	—	(20,661)
Net profit for the year	—	—	—	25,194	25,194
Dividend declared and paid	—	—	—	(5,800)	(5,800)
Transfer	—	2,953	1,476	(4,429)	—
At 31st December, 2003	95,745	6,050	3,025	46,410^(iv)	151,230

i) *Statutory surplus reserve*

In accordance with relevant PRC regulations and the Company's articles of association, the Company shall appropriate 10% of their annual statutory net profit (after offsetting any prior years losses) to the statutory surplus reserve account respectively. When the balance of such reserve reaches 50% of the Company's share capital, any further appropriations are optional. The statutory surplus reserve can be utilised to offset prior years losses or to issue bonus shares. However, such statutory surplus reserve must be maintained at a minimum of 25% of share capital after such issuance.

ii) *Staff welfare reserve*

According to the relevant PRC regulations and the Company's articles of association, the Company is also required to appropriate 5% to 10% of their annual statutory net profit (after offsetting any prior years losses) to a statutory public welfare fund to be utilised to build or acquire capital items, such as dormitories and other facilities for the Company's employees and cannot be used to pay for staff welfare expenses. Titles of these capital items will remain with the Company.

(iii) The proposed final dividends at 31st December 2002 and balance of retained profits after proposed final dividends were approximately RMB5,800,000 and RMB25,645,000 respectively.

(iv) The proposed final dividends at 31st December 2003 and balance of retained profits after proposed final dividends were approximately RMB6,682,000 and RMB39,728,000 respectively.



Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

25. DIVIDENDS

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Final dividend proposed of RMB0.00805 per share (2002: RMB0.1 per share)	6,682	5,800

At a board of directors' meeting held on 25th March, 2004, the directors proposed a final dividend of RMB0.00805 per share in total of RMB6,681,500 in respect of the year ended 31st December, 2003. This proposed dividend is not reflected as dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st December, 2004.

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Analysis of changes in financing during the year:

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Bank loans <i>RMB'000</i>
Balance at 31st December, 2001	58,000	82	8,000
New loans raised	—	—	83,000
Repayment of loans	—	—	(33,000)
Balance at 31st December, 2002	58,000	82	58,000
Proceeds from issue of H shares	25,000	116,324	—
Share issue expenses	—	(20,661)	—
	25,000	95,663	—
New loans raised	—	—	123,000
Repayment of loans	—	—	(106,000)
Balance at 31st December, 2003	83,000	95,745	75,000

Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of subsidiary

	2003 RMB'000	2002 RMB'000
Net asset acquired:		
Property, plant and equipment	45	403
Intangible assets	—	2,375
Inventories	2	—
Trade and note receivables	80	100
Other receivables, deposits and prepayments	36	142
Bank balances and cash	16	105
Amount due to holding company	—	(300)
Amount due to a minority shareholder	—	(275)
Trade payables	(24)	—
Other payables, deposits received and accruals	(44)	(23)
Other tax payables	(3)	(7)
	108	2,520
Goodwill	1,342	(10)
Minority interest	(10)	(1,235)
Total consideration satisfied by cash	1,440	1,275
Satisfied by:		
Cash consideration	784	1,275
Deposit paid in previous periods	656	—
	1,440	1,275
Net cash outflow arising on acquisition:		
Cash consideration	(784)	(1,275)
Bank balances and cash acquired	16	105
	(768)	(1,170)

Note:

Shanghai Dahe Yasi, acquired during the year ended 31st December, 2003, contributed approximately RMB1,759,000 of revenue and approximately RMB282,000 of loss before taxation for the period from the date of acquisition to 31st December, 2003.

During the period since acquisition to 31st December, 2003, Shanghai Dahe Yasi have contributed approximately RMB777,000 to the Group's net operating cash flows.



Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

27. RELATED PARTY TRANSACTIONS

- (a) During the two years ended 31st December, 2003, the Group entered into the following material transactions with related parties:

	<i>Note</i>	2003 RMB'000	2002 RMB'000
Holding company			
Sales made	(i)	2,312	1,152
Rentals paid	(ii)	160	160
Fellow subsidiaries			
Sales made	(iii)	2,257	570
Agency fee received	(iv)	—	580
Rentals received	(v)	240	—
Construction of advertising displays paid	(vi)	9,240	—
Purchases made	(vii)	732	—
Shareholder			
Rentals paid	(viii)	240	240
Related company			
Sales made	(ix)	759	—
Purchases made	(x)	3,970	—
Minority shareholder			
Sales made	(xi)	250	150

- (i) Sales made to Dahe International were in respect of outdoor advertisement and electronic media devices production services provided at market prices.
- (ii) Rentals were paid to Dahe International in accordance with the rental agreement at an annual rent of RMB160,000 for the period from 1st January, 2002 to 31st December, 2003 and rentals are determined based on market rates.
- (iii) Majority of the sales were made to Nanjing Dahe Decoration Co., Ltd. (南京大賀裝飾工程有限公司) (“Nanjing Dahe Decoration”) and Nanjing Dahe Tongli Movie & TV Production Co., Limited (南京大賀通力媒體廣告傳播有限公司) (“Nanjing Dahe Tongli”) in respect of dissemination of outdoor advertisement and posters production services provided at market prices.
- (iv) Pursuant to an agreement entered between the Company and Nanjing Dahe Decoration on 30th December, 2001, the Company received an agency fee from Nanjing Dahe Decoration which was charged at 10% on sale of lamps on behalf of Nanjing Dahe Decoration by the Company.
- (v) Rentals were received from Nanjing Dahe Decoration in accordance with the rental agreement at an annual rent of RMB240,000 for the period from 1st January, 2003 to 31st December, 2007.
- (vi) On 21st October, 2003, the Company entered into a master engineering and construction agreement with Nanjing Dahe Decoration whereby the Company has agreed to engage Nanjing Dahe Decoration to construct and install poles, frames or other outdoor advertisement fixtures for a period from 1st January, 2003 to 31st December, 2005. The service fees payable by the Company shall be determined on a case by case basis and to be mutually agreed between the Company and Nanjing Dahe Decoration, provided that the service fees charged by Nanjing Dahe Decoration are no less favourable than Nanjing Dahe Decoration would charge other independent customers.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

27. RELATED PARTIES TRANSACTIONS (Continued)

- (vii) Purchases of lamps were made from Nanjing Dahe Decoration at market prices.
 - (viii) Rentals were paid to Mr He Chaobing in accordance with the rental agreement at an annual rent of RMB240,000 for the period from 1st January, 2002 to 31st December, 2003.
 - (ix) Sales made to Fule (Nanjing) Lighting Appliances Co., Ltd. (福樂(南京)照明電器有限公司) (“Fule Nanjing”) were principally in respect of dissemination of outdoor advertisement and posters production services provided. The selling prices are determined based on market prices.
 - (x) Lamps were purchased from Fule Nanjing in accordance with a lamp purchase agreement whereby the Group has agreed to purchase from Fule Nanjing lamps manufactured or distributed by Fule Nanjing for production of outdoor advertisement for the period from 1st January, 2003 to 31st December, 2005. The purchase price payable by the Group shall be determined on a case by case basis and to be mutually agreed between the Group and Fule Nanjing.
 - (xi) Sales were made to Beijing Century Shuanglong Advertising Co., Ltd (北京世紀雙龍廣告有限公司) in respect of dissemination of outdoor advertisement in accordance with several agreements each with duration of one year commencing from 1st March, 2002, 1st September, 2002 or 1st January, 2003. The advertising income is determined based on market prices.
- (b) The amount due to holding company as at 31st December, 2002 represented an unsecured advance made to a subsidiary of the Company. The loan was interest free and has been fully repaid on 9th May, 2003.
- (c) The balance was due to Fule Nanjing arising from purchases of lamps from and sales made to Fule Nanjing as disclosed in note (a)(ix) and (x) above.
- (d) The amount due to a minority shareholder as at 31st December, 2002 represented an unsecured advance from Beijing Century Shuanglong. The advance was interest free and was repaid from the advertising income receivable from Beijing Century Shuanglong as disclosed in note (a)(xi) above in 2003.
- (e) As at 31st December, 2002, bank loans were secured by properties, bank deposits and corporate guarantees given by the holding company, a fellow subsidiary and a shareholder of the Company (note 19).



Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

28. OPERATING LEASE ARRANGEMENTS

As a lessee

	2003		2002	
	Land and buildings <i>RMB'000</i>	Advertising rights <i>RMB'000</i>	Land and buildings <i>RMB'000</i>	Advertising rights <i>RMB'000</i>
Minimum lease payment paid under operating leases	<u>3,835</u>	<u>4,973</u>	<u>3,621</u>	<u>658</u>

At the balance sheet dates, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	2003		2002	
	Land and buildings <i>RMB'000</i>	Advertising rights <i>RMB'000</i>	Land and buildings <i>RMB'000</i>	Advertising rights <i>RMB'000</i>
Within one year	2,717	6,710	2,544	1,184
In the second to fifth years inclusive	4,620	18,710	2,544	2,159
After five years	—	17,979	231	3,175
	<u>7,337</u>	<u>43,399</u>	<u>5,319</u>	<u>6,518</u>

Operating lease payments represent rentals payable by the Group on certain of its leased properties and annual fees payable on contracts in respect of the granting of advertising rights and/or related advertising site rentals. Leases for properties are negotiated for terms from one to five years at fixed rental and advertising right contracts are negotiated for terms from one to twenty years at fixed rental.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

28. OPERATING LEASE ARRANGEMENTS (Continued)

As a lessor

	2003		2002	
	Land and buildings <i>RMB'000</i>	Advertising sites <i>RMB'000</i>	Land and buildings <i>RMB'000</i>	Advertising sites <i>RMB'000</i>
Minimum lease income received under operating leases	240	18,717	—	825

At the balance sheet date, the Group had contracted with tenants and customers for future minimum lease receivables as follows:

	2003		2002	
	Land and buildings <i>RMB'000</i>	Advertising sites <i>RMB'000</i>	Land and buildings <i>RMB'000</i>	Advertising sites <i>RMB'000</i>
Within one year	240	8,158	—	4,493
In the second to fifth years inclusive	720	5,893	—	1,450
After five years	—	310	—	—
	960	14,361	—	5,943

Operating lease income represents rentals receivable by the Group on one of its leasehold properties from a fellow subsidiary as disclosed in note 27(a)(v) and annual fees receivable on contracts in respect of the dissemination of outdoor advertisement. The lease for the property was negotiated for a term of five years at fixed rental and contracts for dissemination of outdoor advertisement are negotiated for terms from one to three years at fixed rental.

29. CAPITAL COMMITMENTS

At 31st December, 2003, the Group had capital commitments contracted but not provided for in respect of acquisition of property, plant and equipment and outdoor advertising displays in the total of approximately RMB8,695,000 (2002 : RMB2,391,000).



Financial Summary

		Period from 29th December, 2000 (date of establishment) to 31st December,	
	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
Turnover	166,464	158,644	98,114
Profit attributable to shareholders	24,500	29,687	19,322
Assets and liabilities			
Total assets	340,264	188,029	137,971
Total liabilities	(106,776)	(93,904)	(73,533)
Shareholders' funds	233,488	94,125	64,438