

Annual report 2004



Nanjing Dahe Outdoor Media Co., Ltd.*

a joint stock limited company incorporated in the People`s Republic of China with limited liability



* For identification purposes only

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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.

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Corporate Information

BOARD OF DIRECTORS

Executive directors

HE Chaobing
WANG Weijie

Non-executive directors

JU Guanyu
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

YUEN Wai Man

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

5th Floor
Jardine House
1 Connaught Place
Hong Kong

AUDITORS

Horwath Hong Kong CPA Limited

COMPLIANCE ADVISER

Guotai Junan Capital Limited

HONG KONG LEGAL ADVISER

Gollant Ho

PRINCIPAL BANKERS

China Agricultural Bank
Xinjiekou Branch

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
46th Floor Hopewell Centre
183 Queen's Road East
Hong Kong

WEB-SITE AND E-MAIL ADDRESS

web-site : <http://www.dahe-ad.com>
Email address : office-dahe@263.net

STOCK CODE

8243



Financial Highlights and Calendar

FOR THE YEAR ENDED 31ST DECEMBER, 2004

(Expressed in Renminbi)

	2004	2003	2002
	RMB'000	RMB'000	RMB'000
Revenue			
Turnover	221,790	166,464	158,644
Profitability			
Profit from operations	29,948	33,939	31,374
Profit attributable to shareholders	18,478	24,500	29,687
Net Worth			
Shareholders' funds	245,451	233,488	94,125
Per share			
Basic earnings per share (RMB)	2.2 cents	4.0 cents	5.1cents
Net assets per share	29.6 cents	37.6 cents	16.2cents

FINANCIAL CALENDAR

Results for the year	Announcement on 25th March, 2005
Annual report	Dispatched to shareholders in late March 2005
Annual general meeting	20th May, 2005

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, 2004.

APPRECIATION BY CUSTOMERS AND BUSINESS CIRCLE

The business of the Group expanded rapidly since the Group was successfully listed on GEM of HK Stock Exchange (Stock Code: 8243). 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 and give more diversified service.

The business of the Group was the outdoor advertising service in the PRC since it established. Through rapid expansion of business and scope of service over the years and corporate culture of "honest, innovative, diligent and advancing", the Group has become an outdoor advertising service provider in the PRC, providing a full range of specialized 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 customer, 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

For the year ended 31st December, 2004, the turnover of the Group amounted to approximately RMB221,790,000 and increased by 33.24% as compared with the corresponding period of last year. As a result of the rise of the raw material's price, finance cost increased and expanded investments in outdoor advertising displays has resulted in high depreciation, during the year, profits attributable to shareholders decreased by about 24.58% to approximately RMB18,480,000 as compared with the corresponding period of last year. Basic earnings per share was approximately RMB0.02.



Chairman's Statement (continued)

BUSINESS REVIEW

The Group is a well-known outdoor advertising enterprise which offers one-step advertising services and well-equipped with advanced printing and production facilities. The Group currently operates its outdoor advertising service network located in 23 cities in the PRC comprising 9 subsidiaries, 1 associate and 24 branch companies and service centers providing a full range of specialized outdoor advertising services for the customers. The Group focuses on the design and production of outdoor advertisement business and continues to accelerate development of the dissemination of outdoor and media advertising in a prudent manner.

The Group income mainly be from the design-production of the outdoor advertising and dissemination of outdoor advertising which representing approximately 64.72% (83.70% in 2003) and 34.07% (11.25% in 2003) of the total turnover, and new type outdoor advertising such as electronic LED based display units and multimedia advertising system represented approximately 1.2%(5% in 2003).

As the same time to strengthen its business of spray printing, the Group expands actively the business of outdoor advertising media dissemination, supply one-stop service of design and production and so on. The Group has got new business of outdoor advertising media dissemination about 136,000 square meters in Beijing, Xinjiang, Sichuan, Jiangxi, Hangzhou, Yunnan, Shanghai, Shenyang, Guangdong, Chongqing, Jiangsu in the PRC until 31st December, 2004 which enhanced its leading position in outdoor advertising industry in the PRC.

The Group improves its business level actively, has cooperated with 北京千禧安康國際傳媒廣告有限公司(Beijing Millennium Ankang International Media Co., Ltd) about a new project "Ankang Advertising Board" from the year under review which be wished to fasten the Group become one of the largest outdoor media service vendors in the PRC. "Ankang Advertising Board" is a huge project. It covers each city in the PRC. It is an only popularized media which was approved to enter schools and communities. Its advertising disseminated a large dimension which will exceed 500,000m². It is a previous special project of youngster fund association about a large common brand "Ankang plan enter communities-Ankang beautified home". This project will be in low cost and high benefit situation for it has got the support from government.

The Group has achieved the agreements of the advertising production and outdoor advertising agency with many companies in the year under review. 重慶大賀巴蜀傳媒有限公司(Chongqing Dahe Basu Media Co., Ltd), one of the branch companies got the advertising agency of many companies which symbolized the Group having made a rapid progress and improved the diversified service level.

Chairman's Statement (continued)

OUTLOOK

With the economic growth rapidly in China and hasten the open paces, more and more foreign enterprises will enter the Chinese market. It will lead to greater demand for outdoor advertising media. Olympic Games in Beijing in 2008 and World Expo in Shanghai in 2010 will make a large benefit to the advertising industry too. The Group hopes to grasp the chance of the advertising market increasing rapidly, and continue through the self developing and consolidated or other method to expand the media network to more main provinces in China to improve the possession of large outdoor advertising media. The Group foresees that the rate of incoming from outdoor media dissemination will become more and more, the outdoor advertising dissemination will become an important point to increase the Group incoming in the future.

Except continuing to expand the districts network, supplying satisfied advertising sales distribution service is successful pith of the Group. The Group will continue to optimize the related services of advertising sales and enhance the design and production of outdoor advertisement, including production and installation the new media system.

In the future, the Group will utilize fully the business network on hand, continue to strengthen the business platform, improve its quality and the asset base, strengthen corporate governance, and continue to develop actively more famous customers in and out of China, produce and rent more media system advertising so as to become the largest and leading vendor for the outdoor advertising in the PRC.

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, 24th March, 2005



Management Discussion and Analysis

BUSSINESS REVIEW

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

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.

For the year ended 31st December, 2004, the turnover of the Group was approximately RMB221,790,000, up by approximately 33.24% 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 and media advertisement, the design and production of outdoor advertisement being the main source, representing approximately 64.72% of total turnover. As a result of the Group's huge efforts in developing the dissemination of outdoor and media advertisement business, revenue from the dissemination of outdoor and media advertisement increased rapidly representing approximately 34.07% of the total turnover. The demand for outdoor advertising in the PRC has been continuously increasing, 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 enabled design and production of diversified quality products of outdoor advertising for the customers, and continued to improve the business of outdoor advertising design and production, resulting in a satisfactory result. Right now, the Group is a market leader in this business in terms of market share in the industry. For the year ended 31st December, 2004, this business generated a turnover of approximately RMB143,550,000, up by approximately 3.02% as compared with the corresponding period of last year and the gross margin of approximately 29%. The Group provides the customers with the graphic design of spray paintings or LED-based electronic advertising medium content display and design of lighting and illuminating effect through the use of advanced production facilities and strict quality control.

The media production department of the Group has entered an agreement with 慧聰國際資訊有限公司(HC INTERNATIONAL, INC.) whereby the Beijing branch of the Company will be responsible for the production of outdoor advertisement of 慧聰網 starting from 2005. 慧聰國際資訊有限公司(HC INTERNATIONAL, INC.) specializes in business information service and is recognised as the pioneer and one of the top in terms of the size of the organization, turnover, number of users and type of services in China.

Management Discussion and Analysis (continued)

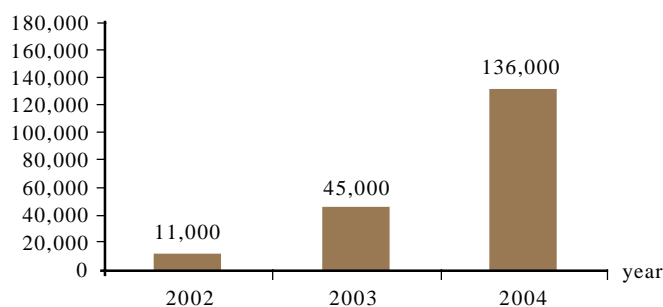
LED-BASED ELECTRONIC DISPLAYS

The turnover from the LED-based electronic displays was RMB2,670,000, represented approximately 1.2% of total turnover down by approximately 68.22% as compared with the year of 2003. The Group had been involved in public business as a mean to strength the brand awareness including the production of the LED-based electronic countdown display for the 10th Chinese Athletic Games, which is the biggest countdown display in Nanjing at present with a size of 624 m² (48m in length and 13m in height).

DISSEMINATION OF OUTDOOR ADVERTISEMENT BUSINESS

For the year ended of 31st December, 2004, the turnover arising from the dissemination of the outdoor and media advertisement reached approximately RMB75,570,000(RMB18,730,000 in 2003) up by approximately 303.43% as compared with the corresponding period of last year. During the reviewing period, the Group has successfully developed to a trans-district integrated outdoor advertising provider using aggressive marketing strategies.

In this year, besides entering into contracts of outdoor advertising rights directly, the Group has expanded its business through strategic partners. After securing certain contracts of outdoor advertising rights in Beijing, Shanghai, Xinjiang, Chengdu, Jiangxi, Hangzhou, Kunming and Jiangsu in the first quarter, the Group has established subsidiaries, one in Chongqing in May and one in Chengdu in June. The registered capital of the subsidiary in Chongqing is RMB40,000,000 with Dahe injecting cash of RMB24,000,000, being 60% of the equity interest. This company owns 54,000 m² of outdoor advertising rights including all the lighting boxes in Chongqing airport district. The subsidiary in Chengdu is named 四川新天杰傳媒科技發展有限責任公司, which Dahe allies with 成都市新天杰廣告有限責任公司 and 重慶大賀巴蜀傳媒有限公司(Chongqing Dahe Basu Media Co., Limited) with total investment of RMB10,000,000, and this company owns the right of 19,000m² outdoor advertising publishing. After these two JV Company established, Dahe will own the right of 136,000m² outdoor advertising publishing in total.



Sketch Map of Outdoor Advertising Which Increased from 2002 to 2004

In addition, the Group has invested in 北京千禧安康國際傳媒廣告有限公司(Beijing Millennium Ankang International Media Co., Ltd.), as a 36% shareholder became in charge of 'Ankang Advertising Column' project, resulting in the Group becoming the only outdoor advertiser with the qualification to enter city communities and schools in China. The Group plans to establish 60,000 networks with more than 500,000m² outdoor advertising area in total in 3 years. The Group is currently negotiating with customers in many districts and will explore the project throughout China in 2005.



Management Discussion and Analysis (continued)

ADVERTISING AGENCY CONTRACT

The Group has entered into a letter of intent with Hengdian Yingshi City Co., Ltd. for outdoor advertising agency business in 2005 with an estimated revenue of RMB10,000,000. This agreement of omni orientated advertising agency will benefit the Group in reinforcing the development of cooperation with other sizable enterprises in future.

Furthermor, 重慶大賀巴蜀傳媒有限公司(Chongqing Dahe Basu Media Co., Ltd.) a subsidiary of the Company has successfully became an advertising agent of ‘Tiantian 630’ program of Chongqing TV, Chongqing Jiaotong radio broadcast and Chongqing ‘Yuzhou service’ newspaper in 2005. It improved the ability of the Group in providing comprehensive range of advertising service to customers.

CUSTOMERS BASE

Currently, Dahe has 4,000 customers in various industries including consumable products, telecommunication, white goods, IT, food & beverage, automobile and petroleum. The Group is devoted to expand into high quality customer group and offer them ‘one-stop’ service of advertising design, production and dissemination. During the review period, the Group has signed the contract for ‘韓國雙龍汽車’ CI alteration and China Sales Hall with 韓國雙龍自助車株式會社. Furthermore, the Group is negotiating with 韓國雙龍汽車 for being its long-term cooperation partner in the promotion of 韓國雙龍汽車 in China.

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.

Management Discussion and Analysis (continued)

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.

During the review period, Dahe's excellent business has been acknowledged by organizations in the industry and obtained many prizes. For instance, Dahe won three prizes at the 'Nanjing's further development of private enterprises meeting', namely 'positively invested private enterprise', 'positive taxpayer of private enterprise' and 'positive promotion of reemployment private enterprise'. Dahe is the only one advertising company of awarded private enterprise and one of two companies to win three prizes.

On the other hand, Dahe won the award 'National Advertising Civilized Unit Conferred' by the National Advertising Association. He Chaobin, Chairman of the board, was conferred 'Top Ten Advertising Manager of China'. In May 2004, he was appointed as the director of Chinese Outdoor Advertisement Association Advertising Committee. At the same time, Dahe has been approved to be the first degree advertising company by the Chinese Advertising Association qualification approving commit; at the 'Jiangsu Private Enterprises Meeting', Dahe obtained 'Jiangsu Excellent Private Enterprise' again.

Dahe has won many prizes on its outdoor advertising designing & producing. In the media area, Dahe has spray printing, portrait, digital printing, LED-based electronic, lighting producing, etc. Its annual productivity of spray printing achieved 8,000,000m² to be the No. 1 spray printing company in China, which was acknowledged as 'the Highest Technological Digital Company in Asia'; Dahe won the highest prize - 'China Star' Designing Gold Prize of Chinese Packaging Association, the Chinese nomination of 'House of World'; the Outdoor Advertising Gold Prize of 'the 10th Chinese Advertising Festival'.

FUTURE DEVELOPMENT PLANS AND STRATEGIES

With considerable increase of Chinese economy and open door policy, more and more foreign enterprises will enter Chinese market, in the meantime, Olympic Games in Beijing in 2008 and World Expo in Shanghai in 2010 will take place, which will stimulate the requirement of advertising. Dahe hopes to hold the opportunities of the increase in Chinese advertising market in order to expand its networks to most provinces to enhance its procession of outdoor advertising by self development, purchase and merge. According to the estimate, Dahe's turnover of outdoor advertising publish will be higher and higher so that it will be the important income of the company.

Besides continuously expanding trans-districts networks, offering excellent advertising sales configuration service is the key of Dahe's success. Dahe will continue to optimize its advertising sales configuration service and strengthen its outdoor advertising designing & producing involving producing and installing new model media systems.

In the future, Dahe will utilize existing distribution efficiently, reinforce its business, improve its quality and capital size, strengthen business administration, expanding Chinese and foreign customers positively, producing and leasing more multimedia systems advertising, in order to be the leader of Chinese outdoor advertising industry.



Management Discussion and Analysis (continued)

Review of Business Objectives

BUSINESS OBJECTIVES REVIEW

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 31st December, 2004 together with the comparison between the use of proceeds as stated in the Company's prospectus and actual amount utilized is set out as below:

	Business Objectives	Actual Progress	Use of proceeds: Up to the year ended 31st December, 2004, total 12 months (HKD million)	Actual Use: Up to the year ended 31st December, 2004, total 12 months (HKD million)
1. Expansion of the Group's existing outdoor media network	To acquire approximately 57,000sq. m. of additional advertising space in Jingsu, Zhejiang, Peiking, Xinjiang and Anhui Provinces	Has obtained advertising spaces of approximately 90,000 sq. m.	48.4	84.155
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	In the process of site selection	9.5	-
3. Upgrading of production facilities to improve and maintain product quality	To purchase a large format printer from independent manufacturer	Not yet implemented	6.4	-
4. Strengthening of the Group's service network and computer network infrastructure	To accomplish the promotion of computer network infrastructure, and to identify, assess the viability of setting up additional branches or service centers in other cities of the PRC.	Computer network infrastructure is completed	3.5	1.885
Total:			67.8	86.04

The balance of proceeds is saved in Chinese domestic bank to be utilized in the next year in order to achieve the aim of constitution of raising shares.

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

WORKING CAPITAL AND FINANCIAL RESOURCES

As at 31st December, 2004, trade payables has increased by RMB2,436,000 as compared with 2003 while trade receivables has increased by RMB13,310,000 as compared with 2003.

As at 31st December, 2004, bank balance held by the Group amounted to RMB93,585,000; bank loans and other loans of the Group was amounted to RMB135,000,000. Debt-Equity Ratio is 0.55, being the percentage of bank loans and other loans over shareholders' equity of RMB245,450,000. The debt over capital ratio of the Group was approximately 0.61.

Profits attributable to the shareholders reached RMB18,480,000, down by 24.57% as compared with last year.

SALES, GENERAL AND ADMINISTRATIVE EXPENSES

In 2004, sales, general and administrative expenses were approximately RMB44,900,000. In 2003, it was approximately RMB33,600,000.

FINANCE COST

In 2004, finance cost was approximately RMB5,670,000. In 2003, it was approximately RMB3,080,000.

TAXES

As the Group is qualified as a new and high technology enterprise and registered in a high technology zone, the applicable income tax rate for 2004 was 15%. Income tax for 2004 and 2003 was approximately RMB3,520,000 and RMB6,370,000 respectively.

MINORITY INTERESTS

As at 31st December, 2004, minority interests amounted to RMB27,650,000. In 2003, it was approximately RMB1,730,000.

DIVIDEND

The board of directors recommended the payment of dividend of RMB0.0081 per share in respect of the year ended 31st December, 2004 (before taxation) (RMB0.00805 in 2003). The dividend will be paid to the registered shareholders as of 15th April, 2005 after the passing of an ordinary resolution in the coming Annual General Meeting.



Management Discussion and Analysis (continued)

RISK OF FOREIGN EXCHANGE

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

ASSETS

In the year under review, the net current assets of the Group was approximately RMB35,330,000, and net assets was approximately RMB 245,450,000. In 2003 they were RMB 69,300,000 and RMB 233,490,000 respectively.

DISTRIBUTABLE RESERVES

As at 31st December, 2004, the reserves of the Group available for cash distribution or distribution in specie was amounted to approximately RMB 161,940,000.

CONNECTED TRANSACTION

During the year, the Group has provided financial assistance of RMB10,000,000 to Chongqing Dahe Basu Media Co., Ltd. ("Chongqing Basu") a non wholly owned subsidiary. The connected transaction has been disclosed according to the Listing Rules of GEM. For details of other related party transactions, please refer to note 27 to the financial statements.

During the period under review, Chongqing Dahe has entered into an asset acquisition agreement with Chongqing Basu Art & Media Co., the minority shareholder of Chongqing Basu for a consideration of RMB10,000,000. Such connected transaction has been disclosed according to the Listing Rules of GEM.

IMPORTANT INVESTMENT, PURCHASE AND SALES

In 2004, the Group injected cash of RMB24,000,000 to set up 重慶大賀巴蜀傳媒有限公司(Chongqing Dahe Basu Media Co., Ltd.) because of the requirement of business development; invested RMB10,000,000 to set up 四川新天杰傳媒科技發展有限責任公司 (Sichuan Xintianjie Media Technology Development Co., Ltd); and paid RMB10,000,000 to acquire 14,000m² of outdoor advertising rights from Chongqing Basu Art and Media Co. ("Basu Art"). Except for the above, the Group has not had any disposal or utilization of the funding to invest in any financial tools.

PURCHASE, SALES OR REDEMPTORY OF SHARES

Dahe has not purchased, sold or redeemed any shares.

DIRECTORS

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

Management Discussion and Analysis (continued)

Executive directors

HE Chaobing

WANG Weijie

Non-executive directors

LI Huafei

ZHAO Hongying

HE Lianyi

JU Guanyu

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 24 to 26 of the annual report.

BOARD PRACTICES AND PROCEDURES

In the review year, Dahe followed the board practices and procedures as set out in rules 5.34 to 5.45 of the GEM listing rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct regarding securities transactions by Directors and Supervisors on terms no less exacting than the required standard. After having specifically inquired all the Directors and Supervisors, the Company confirms that the Company's Directors and Supervisors have fully complied with the standard laid down in the said code of conduct.



Management Discussion and Analysis (continued)

THE INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Board has received the annual confirmation made pursuant to Rule 5.09 of the GEM Listing Rules from all its independent non-executive directors. The Company considers the current independent non-executive directors of the Company have complied with the relevant requirements stipulated under Rule 5.09 of the GEM Listing Rules and are still independent persons.

ACQUISITION OF ASSETS

On 14th September 2004, Chongqing Dahe Basu Media Co., Ltd (“ Chongqing Basu ”), a limited company incorporated in Chongqing Municipality, the PRC, and is a 60% directly owned subsidiary of the Company, has entered into an Asset Acquisition Agreement with Basu Art. Basu Art is engaged primarily in the dissemination of outdoor advertisement by renting outdoor advertising space in Chongqing Municipality, the PRC. Pursuant to the Asset Acquisition Agreement, Chongqing Basu will acquire outdoor advertising right of approximately 14,000 sq.m and related assets in Chongqing Municipality, the PRC, for 3 years from 1st January, 2005 to 31st December, 2007, from Basu Art for a consideration of RMB10,000,000. Chongqing Basu is a connected person as defined under the GEM Listing Rules.

FINANCIAL ASSISTANCE

The Company, Chongqing Basu and Jia Hua (賈華) have entered into a Loan Agreement on 29th December, 2004. Pursuant to the Loan Agreement, the Company has agreed to provide loan facilities of a principal amount of RMB10,000,000 to Chongqing Basu and Jia Hua (賈華) will be the guarantor to the loan. Jia Hua is a director of Chongqing Basu and holds 80% ultimate beneficial interest of Basu Art. Accordingly, the transaction is connected transaction as defined under the GEM Listing Rules.

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.

Management Discussion and Analysis (continued)

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.

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, 2004.

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.



Management Discussion and Analysis (continued)

Directors' and Supervisors' interests in shares of the Company and associated corporations

As at 31st December, 2004, 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:

- All of the persons named above are Directors, except Ms. Wang Mingmei is a Supervisor.
- The letter “L” denotes the Director’s/Supervisor’s interests in such shares.
- 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, 2004 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.

Management Discussion and Analysis (continued)

Substantial shareholders' and other persons' interests and short position in shares and underlying shares in the Company

A. Substantial shareholders

As at 31st December, 2004, 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.



Management Discussion and Analysis (continued)

Substantial shareholders' and other persons' interests and short position in shares and underlying shares in the Company (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, 2004, 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)	9.69%	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%
南京斯威特集團有限公司 (Nanjing SVT Group Co., Ltd.)	Interest of a controlled corporation (note 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 (note 3 and 4)	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%
Martin Currie China Hedge Fund Limited	Investment manager	37,500,000 domestic shares of RMB0.10 each (L)	15%	4.52%
Commerzbank Aktiengesellschaft	Beneficial owner	15,000,000 domestic shares of RMB0.10 each (L)	6%	1.81%

Management Discussion and Analysis (continued)

Substantial shareholders' and other persons' interests and short position in shares and underlying shares in the Company (continued)

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-the 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, 2004 in the register required to be kept under section 336 of the SFO.



Management Discussion and Analysis (continued)

EMPLOYEES

As at 31st December, 2004, the Group has a total of 1,048 full-time staff. The Group regularly provided training and development programs to the staff.

CONTINGENT LIABILITIES

As at 31st December, 2004, the Group has no material contingent liabilities.

COMPLIANCE ADVISER'S INTEREST

As updated and notified by the Company's compliance adviser, 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, 2004 pursuant to Rules 6.36 and Rules 18.63 of the GEM Listing Rules.

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

By order of the Board
He Chaobing
Chairman and executive director

Nanjing, the PRC,
24th March, 2005

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 2004 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, 21st March, 2005



Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. He Chaobing (賀超兵先生), aged 45, 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 center 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 Nanjing Municipal government.

Mr. He is the founder of Dahe International.

Ms. Wang Weijie (王偉傑女士), aged 35, 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 (南京蘇甯實業有限公司). 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. Ju Guanyu (居官玉先生), aged 34, is a non-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 for its Xi'an branch.

Mr. Li Huafei (李華飛先生), aged 41, 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.

Directors, Supervisors and Senior Management (continued)

Non-executive Directors (continued)

Ms. Zhao Hongying (趙紅英女士), aged 36, 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 54, 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.

Independent non-executive Directors

Mr. Qiao Jun (喬均先生), aged 43, 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 43, 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 73, 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 Chain 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 47, is an independent one-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 (Zijing Lianhe Development Co., Ltd.). Mr. Shen was appointed as an independent non-executive Director in 2003.



Directors, Supervisors and Senior Management (continued)

SUPERVISORS

Ms. Wang Mingmei (王明梅女士), aged 56, 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 33, 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 45, 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 50, 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 Nnanjing 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.

REPORT OF THE AUDITORS



Horwath Hong Kong CPA Limited

Certified Public Accountants

2001 Central Plaza

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Wanchai, Hong Kong

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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 28 to 64 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 Institute of Certified Public 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, 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HORWATH HONG KONG CPA LIMITED

Certified Public Accountants

Hong Kong, 24th March, 2005

Chan Kam Wing, Clement

Practising Certificate number P02038



CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2004

(Expressed in Renminbi)

		2004	2003
	Note	RMB'000	RMB'000
Turnover	3	221,790	166,464
Cost of sales		<u>(152,118)</u>	<u>(104,819)</u>
Gross profit		69,672	61,645
Other revenue	4	5,176	5,884
Distribution and selling costs		(20,658)	(17,334)
Administrative expenses		<u>(24,242)</u>	<u>(16,256)</u>
Profit from operations	5	29,948	33,939
Finance costs	6	(5,667)	(3,079)
Share of results of an associate		<u>(375)</u>	<u>-</u>
Profit before taxation		23,906	30,860
Taxation	7	<u>(3,522)</u>	<u>(6,366)</u>
Profit before minority interests		20,384	24,494
Minority interests		<u>(1,906)</u>	<u>6</u>
Net profit for the year		<u>18,478</u>	<u>24,500</u>
Dividend	25	6,723	6,682
Earnings per share - Basic (RMB)	8	0.02	0.04

The notes on pages 36 to 64 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

AT 31ST DECEMBER, 2004

(Expressed in Renminbi)

	Note	2004 RMB'000	2003 RMB'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment	11	219,913	129,016
Construction in progress	12	-	32,605
Intangible assets	13	6,544	5,329
Interest in an associate	15	12,224	-
Finance lease receivables	16	89	171
		<u>238,770</u>	<u>167,121</u>
Current assets			
Finance lease receivables	16	256	174
Inventories	17	11,210	8,053
Trade and note receivables	18	31,195	17,881
Other receivables, deposits and prepayments	19	55,074	17,702
Amounts due from related companies	27(b)	23,180	-
Bank balances and cash		93,585	129,333
		<u>214,500</u>	<u>173,143</u>
Current liabilities			
Short term bank loans	20	135,000	75,000
Trade payables	21	10,772	8,336
Other payables, deposits received and accruals		22,414	11,071
Deferred advertising income		8,780	5,383
Amounts due to a related company	27(c)	231	1,032
Other tax payables	22	1,630	995
Income tax payable		346	2,030
		<u>179,173</u>	<u>103,847</u>
Net current assets		35,327	69,296
Total assets less current liabilities carried forward		274,097	236,417



CONSOLIDATED BALANCE SHEET

AT 31ST DECEMBER, 2004

(Expressed in Renminbi)

		2004	2003
	Note	RMB'000	RMB'000
Total assets less current liabilities brought forward		274,097	236,417
Non-current liabilities			
Other payables		(995)	(1,200)
Minority interests		(27,651)	(1,729)
Net assets		245,451	233,488
Capital and reserves			
Share capital	23	83,000	83,000
Reserves		162,451	150,488
Shareholders' funds		245,451	233,488

These financial statements were approved and authorised for issue by the board of directors on 24th March, 2005

.....
He Chaobing
Director

.....
Wang Weijie
Director

BALANCE SHEET
AT 31ST DECEMBER, 2004

(Expressed in Renminbi)

	Note	2004 RMB'000	2003 RMB'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment	11	180,260	126,283
Construction in progress	12	-	32,605
Intangible assets	13	1,800	1,900
Investments in subsidiaries	14	49,923	9,465
Interest in an associate	15	13,500	-
		245,483	170,253
Current assets			
Inventories	17	10,291	8,048
Trade and note receivables	18	24,706	17,732
Other receivables, deposits and prepayments	19	26,864	11,063
Amounts due from subsidiaries	14	18,085	6,358
Amount due from related companies	27(b)	12,460	-
Bank balances and cash		77,492	128,937
		169,898	172,138
Current liabilities			
Short term bank loans	20	135,000	75,000
Trade payables	21	9,651	7,984
Other payables, deposits received and accruals		14,831	10,956
Deferred advertising income		5,337	4,787
Amounts due to subsidiaries	14	3,239	4,236
Amounts due to a related company	27(c)	231	989
Other tax payables	22	926	972
Income tax payables		236	2,037
		169,451	106,961
Net current assets		447	65,177
Total assets less current liabilities carried forward		245,930	235,430



BALANCE SHEET
AT 31ST DECEMBER, 2004

(Expressed in Renminbi)

		2004	2003
	Note	RMB'000	RMB'000
Total assets less current liabilities brought forward		245,930	235,430
Non-current liabilities			
Other payables		(995)	(1,200)
Net assets		<u>244,935</u>	<u>234,230</u>
Capital and reserves			
Share capital	23	83,000	83,000
Reserves	24	<u>161,935</u>	<u>151,230</u>
Shareholders' funds		<u>244,935</u>	<u>234,230</u>

These financial statements were approved and authorised for issue by the board of directors on 24th March, 2005

.....
He Chaobing
Director

.....
Wang Weijie
Director

The notes on pages 36 to 64 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2004

(Expressed in Renminbi)

	Share Capital RMB'000 (note23)	Share premium/ capital reserves RMB'000	PRC statutory funds		Retained profits RMB'000	Total reserves RMB'000	Total RMB'000
			Statutory surplus reserve RMB'000 (note24(i))	Staff welfare reserve RMB'000 (note24(ii))			
Balance at							
31st December, 2002	58,000	82	3,097	1,549	31,397	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					(a)		
31st December, 2003	83,000	95,745	6,050	3,025	45,668	150,488	233,488
Additions	-	169	-	-	-	169	169
Dividend declared and paid	-	-	-	-	(6,684)	(6,684)	(6,684)
Net profit for the year	-	-	-	-	18,478	18,478	18,478
Transfer	-	-	2,345	1,172	(3,517)	-	-
Balance at					(b)		
31st December, 2004	83,000	95,914	8,395	4,197	53,945	162,451	245,451

(a) The proposed final dividends at 31st December, 2003 and balance of retained profits after proposed final dividends were approximately RMB6,684,000 and RMB38,984,000 respectively.

(b) The proposed final dividends at 31st December, 2004 and balance of retained profits after proposed final dividends were approximately RMB6,723,000 and RMB47,222,000 respectively.

The notes on pages 36 to 64 form part of these financial statements.



CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2004

(Expressed in Renminbi)

	Note	2004 RMB'000	2003 RMB'000
Cash flows from operating activities			
Profit before taxation		23,906	30,860
Adjustments for:			
Interest income		(2,640)	(87)
Interest expense		5,161	2,961
Depreciation		30,430	21,445
Amortization of advertising rights		225	225
Loss on disposal of property, plant and equipment		281	153
Provision for bad and doubtful debts		1,009	843
Provision for obsolete inventories		41	90
Amortisation of goodwill		556	134
Share of results of an associate		375	-
Operating profit before working capital changes		59,344	56,624
(Increase)/decrease in inventories		(3,198)	1,560
Increase in trade and note receivables		(14,323)	(3,785)
Increase in other receivables, deposits and prepayments		(37,259)	(12,214)
Increase in amount due from related companies		(3,808)	-
Increase/(decrease) in trade payables		2,436	(5,518)
Increase/(decrease) in other payables, deposits received and accruals		11,138	(4,959)
Decrease in amount due to holding company		-	(300)
(Decrease)/increase in amounts due to a related company		(801)	1,032
Increase in deferred advertising income		3,397	3,922
Decrease in amount due to a minority shareholder		-	(250)
Increase in other tax payables		635	55
Decrease in finance lease receivables		-	59
Cash generated from operations		17,561	36,226
Interest paid		(6,162)	(2,961)
PRC income tax paid		(5,206)	(3,811)
PRC income tax refunded		-	2,616
Net cash generated from operating activities carried forward		6,193	32,070

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2004

(Expressed in Renminbi)

	Note	2004 RMB'000	2003 RMB'000
Net cash generated from operating activities brought forward		6,193	32,070
Cash flows from investing activities			
Acquisition of property, plant and equipment		(56,708)	(18,048)
Sales proceed on disposal of property, plant and equipment		23	8
Payments for construction in progress		(6,648)	(25,715)
Deposits paid for acquisition of property, plant and equipment		(19,372)	-
Acquisition of advertising rights		-	(400)
Investment in an associate		(13,500)	-
Acquisition of a subsidiary (net of cash acquired)	26(b)	-	(768)
Acquisition of minority interest		(3,000)	-
Interest received		2,527	87
Net cash used in investing activities		(96,678)	(44,836)
Cash flows from financing activities			
Net proceeds from issue of shares	26(a)	-	120,663
New bank loans raised	26(a)	220,000	123,000
Repayment of bank loans	26(a)	(160,000)	(106,000)
Dividends paid		(6,684)	(9,184)
Capital contributions from minority shareholders		1,450	-
Dividends paid to a minority shareholder		(29)	-
Net cash generated from financing activities		54,737	128,479
Net (decrease)/increase in bank balances and cash		(35,748)	115,713
Bank balances and cash at beginning of year		129,333	13,620
Bank balances and cash at end of year		93,585	129,333

The notes on pages 36 to 64 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 accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

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

(b) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Principal accounting policies (continued)

(c) 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 unamortized goodwill or negative goodwill.

(d) 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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Principal accounting policies (continued)

(e) 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.

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	Over the term of the lease
Buildings	20 years
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.

(f) 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.

(g) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Principal accounting policies (continued)

(h) 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.

(i) 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.

(j) 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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Principal accounting policies (continued)

(k) 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.

(l) 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.

(m) Leasing

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Principal accounting policies (continued)

(n) Government subsidies

Subsidies from the PRC government are recognized 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 recognized 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 recognized as income over the useful life of the relevant asset.

(o) 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 recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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.

(p) 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.

(q) 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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Principal accounting policies (continued)

(r) 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.

(s) 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 dissemination of outdoor and media advertisement 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.

(t) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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:-

	2004	2003
	RMB'000	RMB'000
Outdoor advertisement design and production fees		
- Printed posters	139,140	129,984
- Electronic media (LED displays)	2,669	8,399
- Sale of lamps for outdoor advertisement	4,408	9,348
Income from dissemination of outdoor and media advertisement	75,573	18,717
Franchise fee income	-	16
	<u>221,790</u>	<u>166,464</u>

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)

4. Other revenue

	2004	2003
	RMB'000	RMB'000
Government subsidies		
- Interest subsidy (note (a))	-	650
- Other subsidy (notes (b))	1,261	3,404
Claims received from suppliers (note (c))	201	1,048
Rental income (note 27(a)(iv))	240	240
Interest income	2,640	87
Finance lease income	-	40
Others	834	415
	<u>5,176</u>	<u>5,884</u>

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 Chongqing Yuzhong Zone Servicing Enterprises Office for encouraging the establishment of businesses in the Technology Development Zone in these regions. The grants were computed based on 21% to 70% of business or local tax paid.
- (c) Claims were received from suppliers as compensation for substandard quality of raw materials supplied to the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Profit from operations

	2004	2003
	RMB'000	RMB'000
Profit from operations is arrived at after charging:		
Business taxes (included in cost of sales)	9,235	7,717
Auditors' remuneration	830	320
Depreciation	30,430	21,445
Amortisation of advertising rights	225	225
Amortisation of goodwill	556	134
Provision for bad and doubtful debts	1,009	843
Provision for obsolete inventory	41	90
Loss on disposal of property, plant and equipment	281	153
Staff costs (excluding directors' and supervisors' emoluments)		
- Salaries, bonus and allowances	23,764	20,330
- Retirement benefit scheme contributions	987	750

6. Finance costs

	2004	2003
	RMB'000	RMB'000
Interest on bank loans wholly repayable within five years	6,162	3,858
Less : amounts capitalised	(1,001)	(897)
	5,161	2,961
Bank charges	46	40
Exchange loss	460	78
	5,667	3,079



NOTES TO THE FINANCIAL STATEMENTS (continued)

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, 2004.

However, based upon the local income tax regulations, profits of the Company’s branches at Wuhan, Guangzhou, Shenzhen, Shanghai and Jiangxi are subject to a separate assessment. Taxation on these branches is levied based on the EIT rate of 33%, except for Shenzhen which is levied based on 15% on the respective estimated taxable income.

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:-

	2004	2003
	RMB’000	RMB’000
Profit before taxation	23,906	30,860
Tax calculated at the statutory PRC tax rate of 33%	7,889	10,184
Expenses not deductible for taxation purposes	883	2,156
Non-taxable items such as subsidy	(66)	245
Utilisation of previously unrecognised tax loss	(162)	-
Deferred tax benefits arising from tax losses of subsidiaries not recognised	115	204
Exemption/reduction of income tax under preferential tax treatment	(5,137)	(7,126)
Underprovision in respect of prior year	-	703
Taxation for the year	3,522	6,366

The Company did not have any material unprovided deferred taxation.

8. Earnings per share

The calculation of the earnings per share for the year ended 31st December, 2004 is based on the net profit of RMB18,478,000 (2003 : RMB24,500,000) and on the weighted average number of shares in issue.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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:-

	2004 RMB'000	2003 RMB'000
Executive directors:		
Fees	-	-
Salaries and allowances	197	300
Bonus	-	67
Retirement benefit scheme contributions	19	14
	<u>216</u>	<u>381</u>
Number of directors	2	3
Director A	N/A	217
Director B	124	93
Director C	92	71
	<u>216</u>	<u>381</u>
Non-executive directors:		
Fees	34	-
Salaries and allowances	12	-
Bonus	-	-
Retirement benefit scheme contributions	1	-
	<u>47</u>	<u>-</u>
Number of directors	4	3
Director A	17	-
Director B	17	-
Director C	13	N/A
Director D	-	-
	<u>47</u>	<u>-</u>
Independent non-executive directors:		
Fees	101	76
Salaries and allowances	-	-
Bonus	-	-
Retirement benefit scheme contributions	-	-
	<u>101</u>	<u>76</u>
Number of directors	4	4
Director A	24	26
Director B	24	24
Director C	24	26
Director D	29	-
	<u>101</u>	<u>76</u>



NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Directors' and senior executives' emoluments (continued)

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.

(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:-

	2004	2003
	RMB'000	RMB'000
Salaries and allowances	128	231
Bonus	18	30
Retirement benefit scheme contributions	9	4
	<u>155</u>	<u>265</u>
Number of supervisors	3	3
Supervisor A	87	182
Supervisor B	59	83
Supervisor C	9	-
	<u>155</u>	<u>265</u>

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, 2004 included one director (2003 : one director and one supervisor) whose emoluments are set out above. Details of remuneration of the remaining four (2003 : three) highest paid employees during the two years ended 31st December, 2004 were as follows:-

	2004	2003
	RMB'000	RMB'000
Salaries and allowances	367	309
Bonus	94	79
Retirement benefit scheme contributions	8	-
	<u>469</u>	<u>388</u>

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)

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 RMB'000	Leasehold improvements RMB'000	Outdoor advertising displays RMB'000	Production equipment RMB'000	Furniture, fixture and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
The Group							
Cost:							
At 1st January, 2004	14,899	683	20,651	121,934	12,829	4,902	175,898
Additions	2,915	2,108	66,355	3,055	4,180	2,255	80,868
Transfer from CIP	28,599	-	508	6,224	5,432	-	40,763
Disposals	-	(223)	-	(4)	(175)	(171)	(573)
At 31st December, 2004	46,413	2,568	87,514	131,209	22,266	6,986	296,956
Accumulated depreciation:							
At 1st January, 2004	635	238	1,778	38,552	4,524	1,155	46,882
Charge for the year	954	384	8,445	16,795	2,939	913	30,430
Written back on disposal	-	(152)	-	(1)	(47)	(69)	(269)
At 31st December, 2004	1,589	470	10,223	55,346	7,416	1,999	77,043
Net book value:							
At 31st December, 2004	44,824	2,098	77,291	75,863	14,850	4,987	219,913
At 31st December, 2003	14,264	445	18,873	83,382	8,305	3,747	129,016

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Property, plant and equipment (continued)

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Outdoor advertising displays RMB'000	Production equipment RMB'000	Furniture, fixture and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
The Company							
Cost:							
At 1st January, 2004	14,899	683	17,918	121,934	12,675	4,902	173,011
Additions	2,915	2,018	33,907	2,556	3,762	1,208	46,366
Transfer from CIP	28,599	-	508	6,224	5,432	-	40,763
Disposals	-	(223)	(3,986)	(4,983)	(331)	(171)	(9,694)
At 31st December, 2004	46,413	2,478	48,347	125,731	21,538	5,939	250,446
Accumulated depreciation:							
At 1st January, 2004	635	238	1,664	38,552	4,484	1,155	46,728
Charge for the year	954	377	4,424	16,531	2,876	835	25,997
Written back on disposal	-	(152)	(478)	(1,765)	(74)	(70)	(2,539)
At 31st December, 2004	1,589	463	5,610	53,318	7,286	1,920	70,186
Net book value:							
At 31st December, 2004	44,824	2,015	42,737	72,413	14,252	4,019	180,260
At 31st December, 2003	14,264	445	16,254	83,382	8,191	3,747	126,283

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	
	2004 RMB'000	2003 RMB'000
At beginning of year	32,605	5,717
Additions	8,158	27,288
Transferred to property, plant and equipment	(40,763)	(400)
At end of year	-	32,605

Included in construction in progress is net interest capitalised of approximately RMB1,001,000 (2003 : RMB897,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Intangible assets

	Goodwill	The Group Advertising rights	Total	The Company Advertising rights
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1st January,2004	1,342	4,500	5,842	2,000
Arising on acquisition of a subsidiary	1,587	-	1,587	-
Additions	-	-	-	-
At 31st December,2004	2,929	4,500	7,429	2,000
Accumulated amortisation:				
At 1st January, 2004	134	379	513	100
Charge for the year	147	225	372	100
At 31st December,2004	281	604	885	200
Net book value:				
At 31st December,2004	2,648	3,896	6,544	1,800
At 31st December,2003	1,208	4,121	5,329	1,900

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 during the year was related to the acquisition of 49% interest in Beijing Dahe Shuanglong Advertising Co., Ltd. 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.

14. Investments in subsidiaries

	The Company	
	2004	2003
	RMB'000	RMB'000
Capital contribution	49,923	9,465
Amounts due from subsidiaries	18,085	6,358
Amounts due to subsidiaries	(3,239)	(4,236)



NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Investments in subsidiaries (continued)

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 holding; 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	99.51%	95.1%	4.9%	Dissemination of outdoor advertisement
Shanghai Dahe Yasi Advertising Co., Ltd. ("Shanghai Dahe Yasi") (上海大賀雅思廣告有限公司)	PRC	90%	-	-	Dissemination of outdoor advertisement
Hangzhou Ultralon Advertising Co., Ltd. ("Hangzhou Ultralon") (杭州歐特龍廣告有限公司)	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)	PRC	99%	90%	10%	Inactive
Shanghai Daxi Advertising Co., Ltd. ("Shanghai Daxi") (上海大喜標識有限公司)	PRC	58.5%	-	65%	Design and production of corporate billboards
Chongqing Dahe Basu Media Co., Ltd. ("Chongqing Dahe Basu") (重慶大賀巴蜀傳媒有限公司)	PRC	60%	60%	-	Dissemination of outdoor advertisement
Sichuan Xintianjie Media Technology Development Co., Ltd. ("Sichuan Xintianjie") (四川新天杰傳媒科技發展有限公司)	PRC	56%	50%	10%	Dissemination of outdoor and media advertisement
Chongqing Dahe Digital Printing Co., Ltd. ("Chongqing Dahe Digital") (重慶大賀數碼噴繪有限公司)	PRC	85%	85%	-	Design, printing and production of outdoor advertising products

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Investments in subsidiaries (continued)

Notes:-

- (a) On 9th March, 2004, one of the subsidiary, Nanjing Ultralon contributed cash of RMB1,300,000 for the establishment of Shanghai Daxi, a limited liability company with registered capital of RMB2,000,000, representing a 65% equity interest in Shanghai Daxi, equivalent to an effective equity interest of 58.5% held by the Group.
- (b) On 31st May, 2004, the Company contributed cash of RMB24,000,000 for the establishment of Chongqing Dahe Basu, a limited liability company with registered capital of RMB40,000,000, representing 60% equity interest in Chongqing Dahe Basu.
- (c) On 18th June, 2004, the Company, together with Chongqing Dahe Basu, established Sichuan Xintianjie with a registered capital of RMB20,000,000. The Company contributed cash and outdoor advertising displays of RMB6,000,000 and RMB4,000,000 respectively for a 50% equity interest while Chongqing Dahe Basu contributed cash of RMB2,000,000 for a 10% equity interest.
- (d) On 29th September, 2004, the Company contributed cash and equipment of approximately RMB1,115,000 and RMB3,135,000 respectively for the establishment of a limited liability company, Chongqing Dahe Digital, representing an 85% equity interest in Chongqing Dahe Digital.

15. Interest in an associate

	The Group		The Company	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Unlisted shares, at cost	-	-	10,000	-
Share of net assets	(674)	-	-	-
Goodwill less amortisation	9,398	-	-	-
	8,724	-	10,000	-
Amount due from the associate	3,500	-	3,500	-
	12,224	-	13,500	-

Particulars of the associate are as follows:

Name of associate	Place of incorporation and operation	Proportion of direct ownership interest	Principal activity
Beijing Millennium Ankang International Media Co., Ltd ("Beijing Millennium Ankang") (北京千禧安康國際傳媒廣告有限公司)	PRC	36%	Design, production and dissemination of advertisements and promotions on "Ankang Advertising Board"

On 13th July, 2004, the Company purchased 36% equity interest in a limited liability company, Beijing Millennium Ankang at a cash consideration of RMB10,000,000 which was determined after arm's length negotiation between the relevant parties.



NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Finance lease receivables

The Group

	Minimum lease payments		Present value of minimum lease payments	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts receivable under finance leases:				
Within one year	430	292	257	174
In the second to fifth years inclusive	150	288	88	171
	<u>580</u>	<u>580</u>	<u>345</u>	<u>345</u>
Less:				
Unearned finance income	235	235		
Present value of minimum lease receivables	<u>345</u>	<u>345</u>		
Less:				
Amount due for settlement within 12 months (shown under current assets)			256	174
Amount due for settlement after 12 months			89	171

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.

17. Inventories

	The Group		The Company	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Inventories comprises:-				
Raw materials	7,441	6,038	6,787	6,033
Work in progress	2,021	1,065	1,894	1,065
Finished goods	1,748	950	1,610	950
	<u>11,210</u>	<u>8,053</u>	<u>10,291</u>	<u>8,048</u>

As at 31st December, 2004 inventories of the Group and the Company amounting to approximately RMB7,441,000 and RMB6,787,000 (2003 : RMB6,038,000 and RMB6,033,000) respectively were carried at net realisable value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. 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	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Within 1 month	15,219	7,670	10,956	7,625
Between 2 to 3 months	7,530	5,124	5,372	5,117
Between 4 to 6 months	3,917	2,716	3,858	2,716
Between 7 to 12 months	2,663	1,468	2,661	1,379
Between 1 to 2 years	1,403	811	1,400	803
Between 2 to 3 years	463	92	459	92
	<u>31,195</u>	<u>17,881</u>	<u>24,706</u>	<u>17,732</u>

19. Other receivables, deposits and prepayments

	The Group		The Company	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Other receivables	10,451	763	9,823	701
Deposits	23,120	7,050	7,735	6,630
Prepayments	21,503	9,889	9,306	3,732
	<u>55,074</u>	<u>17,702</u>	<u>26,864</u>	<u>11,063</u>

The amount of prepayments of the Group and the Company expected to be utilised after more than one year were approximately RMB7,410,000 (2003 : RMB4,076,000) and RMB1,725,000 (2003 : RMB322,000) respectively. All the other receivables, deposits and prepayments are expected to be recovered within one year.



NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Bank loans

As at the balance sheet dates, all bank loans should be repayable within one year.

Bank loans in total of RMB10,000,000 were secured by corporate guarantees from the holding company and the remaining bank loans are unsecured and the bank loans carry interest at a range from 4.536% to 6.138% per annum.

21. Trade payables

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

	The Group		The Company	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Within 1 month	6,573	3,779	5,909	3,779
Between 2 to 3 months	1,720	1,772	1,451	1,422
Between 4 to 6 months	1,132	1,117	1,107	1,117
Between 7 to 12 months	796	1,296	633	1,294
Between 1 to 2 years	551	372	551	372
	<u>10,772</u>	<u>8,336</u>	<u>9,651</u>	<u>7,984</u>

22. Other tax payables

	The Group		The Company	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Other tax payables comprises:-				
Business taxes	1,028	745	687	734
Value added taxes	495	118	204	117
City construction taxes	79	52	35	51
Others	28	80	-	70
	<u>1,630</u>	<u>995</u>	<u>926</u>	<u>972</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Share capital

	Number of shares RMB'000	Amount RMB'000
Registered, issued and fully paid:		
Total domestic shares and H shares of RMB0.1 each at 31st December, 2003 and 2004	830,000	83,000

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.

24. Reserves

	Share premium RMB'000	PRC Statutory funds		Retained profits RMB'000	Total RMB'000
		Statutory surplus reserve RMB'000 (note 24(i))	Staff welfare reserve RMB'000 (note 24(ii))		
The Company					
At 31st December, 2002	82	3,097	1,549	31,445	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	151,230
Dividend declared and paid	-	-	-	(6,684)	(6,684)
Net profit for the year	-	-	-	17,389	17,389
Transfer	-	1,853	927	(2,780)	-
At 31st December, 2004	95,745	7,903	3,952	54,335	161,935



NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Reserves (continued)

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 utilized 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 utilized 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.

25. Dividend

	2004	2003
	RMB'000	RMB'000
Final dividend proposed of RMB0.0081 per share (2003: RMB0.00805 per share)	6,723	6,682

At a board of directors' meeting held on 24th March, 2005, the directors proposed a final dividend of RMB0.0081 per share in total of RMB6,723,000 in respect of the year ended 31st December, 2004. 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, 2005.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Notes to the consolidated cash flow statement

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

	Share capital and premium RMB'000	Minority interest RMB'000	Bank loans RMB'000
Balance at 31st December, 2002	58,082	1,725	58,000
Proceeds from issue of H shares	141,324	-	-
Share issue expenses	(20,661)	-	-
	120,663	-	-
New loans raised	-	-	123,000
Repayment of loans	-	-	(106,000)
Non-cash movements:			
Share of loss by minority interest	-	(6)	-
Acquisition of a subsidiary	-	10	-
Balance at 31st December, 2003	178,745	1,729	75,000
New loans raised	-	-	220,000
Repayment of loans	-	-	(160,000)
Dividends paid to a minority shareholder	-	(29)	-
Capital contributions from minority shareholders	-	1,450	-
Non-cash movements:			
Increase in interest in a subsidiary	-	(1,413)	-
Share of profits by minority interest	-	1,906	-
Capital contributions from minority shareholders (note)	-	24,008	-
Others	169	-	-
Balance at 31st December, 2004	178,914	27,651	135,000

Note:

Capital contributions from minority shareholders represent injection of property, plant and equipment into two subsidiaries.



NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Notes to the consolidated cash flow statement (continued)

(b) Acquisition of a subsidiary

	2003
	RMB'000
Net asset acquired:	
Property, plant and equipment	45
Inventories	2
Trade and note receivables	80
Other receivables, deposits and prepayments	36
Bank balances and cash	16
Trade payables	(24)
Other payables, deposits received and accruals	(44)
Other tax payables	(3)
	108
Goodwill	1,342
Minority interest	(10)
Total consideration satisfied by cash	1,440
Satisfied by:	
Cash consideration	784
Deposit paid in previous periods	656
	1,440
Net cash outflow arising on acquisition:	
Cash consideration	(784)
Bank balances and cash acquired	16
	(768)

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 contributed approximately RMB777,000 to the Group's net operating cash flow.

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Related party transactions

(a) During the two years ended 31st December, 2004, the Group entered into the following material transactions with related parties:-

	Note	2004 RMB'000	2003 RMB'000
Holding company			
Sales made	(i)	349	2,312
Rentals paid	(ii)	-	160
Fellow subsidiaries			
Sales made	(iii)	434	2,257
Rentals received	(iv)	240	240
Construction of advertising displays paid	(v)	9,994	9,240
Purchases made	(vi)	-	732
Shareholder			
Rentals paid	(vii)	-	240
Related company			
Sales made	(viii)	-	759
Purchases made	(ix)	1,951	3,970
Minority shareholder			
Sales made	(x)	-	250
Associate company			
Sales made	(xi)	3,500	-

- (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 were 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) 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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Related party transactions (continued)

- (v) On 21st October, 2003, the Group entered into a master engineering and construction agreement with Nanjing Dahe Decoration whereby the Group 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 Group 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.
- (vi) Purchases of lamps in 2003 were made from Nanjing Dahe Decoration at market prices.
- (vii) 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.
- (viii) Sales made to Fule (Nanjing) Lighting Appliances Co., Ltd. (福樂(南京)照明電器有限公司) (“Fule Nanjing”) in 2003 were principally in respect of dissemination of outdoor advertisement and posters production services provided. The selling prices are determined based on market prices.
- (ix) 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 Company shall be determined on a case by case basis and to be mutually agreed between the Company and Fule Nanjing.
- (x) 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 was determined based on market prices.
- (xi) Sales were made to Beijing Millennium Ankang in respect of light boxes for use in outdoor advertisement. The selling price was determined based on market price.
- (b) The balance represented an amount due from Nanjing Dahe Decoration of approximately RMB12,460,000 and an amount due from a minority shareholder, Chongqing Basu Art and Media Co. (“Basu Art”) of approximately RMB10,720,000. Included in the balance due from Nanjing Dahe Decoration was deposits paid for the construction of advertising displays of approximately RMB9,372,000. The balance due from Basu Art included a prepayment in the amount of RMB10,000,000 for the acquisition of outdoor advertising space, details of which was disclosed in the Company’s announcement dated 14th October, 2004.
- (c) The balance was due to Fule Nanjing arising from purchases of lamps from Fule Nanjing as disclosed in note (a)(ix) above.

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Related parties transactions (continued)

- (d) The loan granted by the Company to Chongqing Dahe Basu in the amount of RMB10,000,000 was guaranteed by the major ultimate shareholder of Basu Art, details of which was disclosed in the Company's announcement dated 5th January, 2005.

28. Operating lease arrangements

As a lessee

	2004		2003	
	Land and buildings	Advertising rights	Land and buildings	Advertising rights
	RMB'000	RMB'000	RMB'000	RMB'000
Minimum lease payment paid under operating leases	4,204	15,742	3,835	4,973

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

	2004		2003	
	Land and buildings	Advertising rights	Land and buildings	Advertising rights
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	2,743	12,072	2,717	6,710
In the second to fifth years inclusive	4,571	42,832	4,620	18,710
After five years	12	26,777	-	17,979
	<u>7,326</u>	<u>81,681</u>	<u>7,337</u>	<u>43,399</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)

28. Operating lease arrangements (continued)

As a lessor

	2004		2003	
	Land and buildings	Advertising sites	Land and buildings	Advertising sites
	RMB'000	RMB'000	RMB'000	RMB'000
Minimum lease income received under operating leases	240	75,573	240	18,717

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

	2004		2003	
	Land and buildings	Advertising sites	Land and buildings	Advertising sites
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	240	21,369	240	8,158
In the second to fifth years inclusive	480	16,526	720	5,893
After five years	-	1,616	-	310
	720	39,511	960	14,361

Operating lease income represents rentals receivable by the Group on leasing of part of its leasehold properties to a fellow subsidiary as disclosed in note 27(a)(iv) and annual fees receivable on contracts in respect of the dissemination of outdoor and media 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, 2004, 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 RMBNil (2003 : RMB8,695,000).