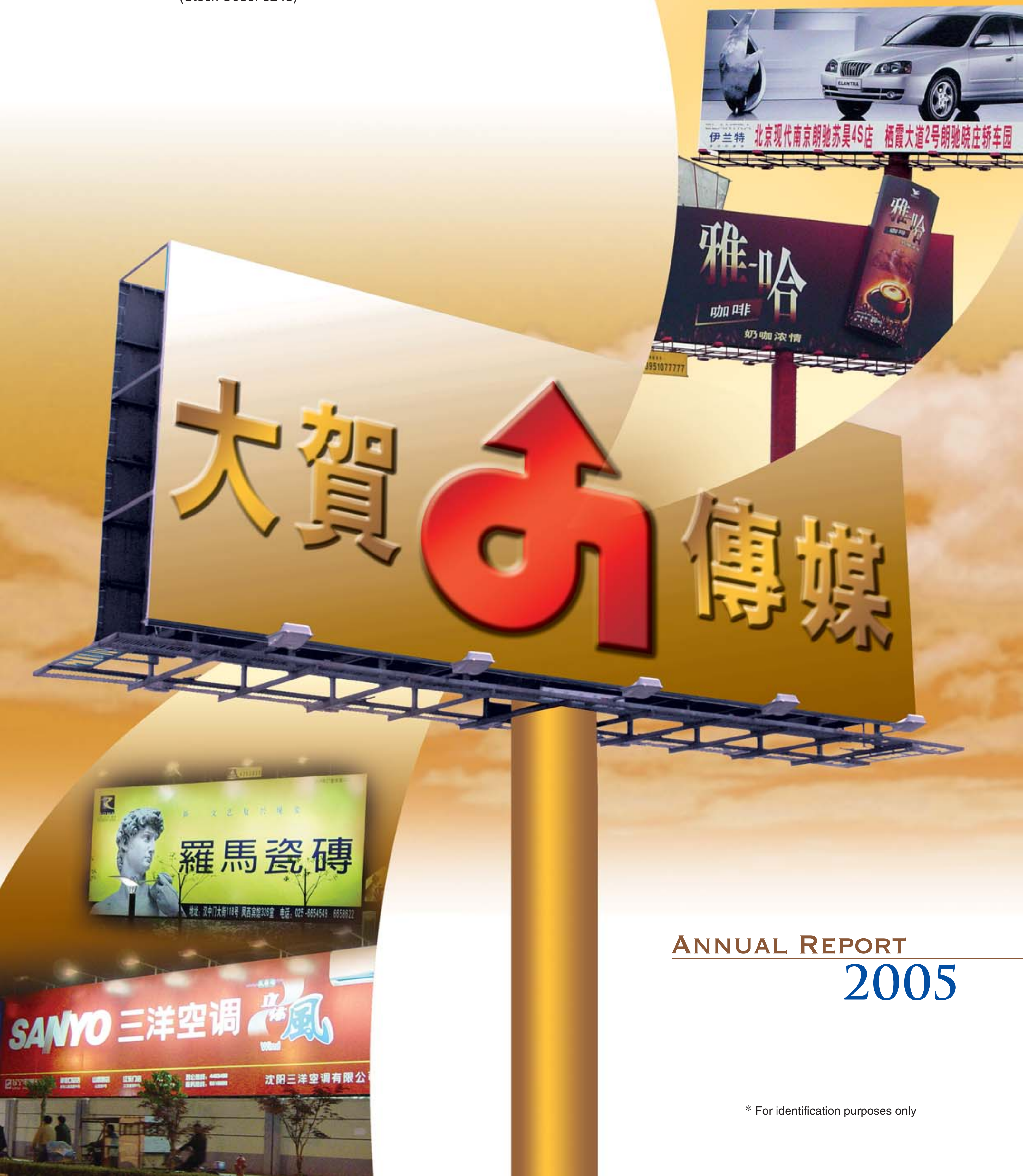
大賀傳媒股份有限公司
DAHE MEDIA CO., LTD.*

(formerly known as "南京大賀戶外傳媒股份有限公司" "NANJING DAHE OUTDOOR MEDIA CO., LTD."*)
(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 8243)



ANNUAL REPORT 2005

* For identification purposes only

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

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

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

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

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

The directors of Dahe 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 Dahe Media Co., Ltd. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this annual report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this annual report misleading; and (iii) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Corporate Information

BOARD OF DIRECTORS

Executive directors
HE Chaobing
WANG Weijie

Non-executive directors
LI Huafei
CHAN E Nam Viveca
HU Guangli
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
CHAN Tsz Fu, Jacky, FCCA, CPA

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
Central
Hong Kong

AUDITORS
Horwath Hong Kong CPA Limited

SPONSOR
Guotai Junan Capital Limited

HONG KONG LEGAL ADVISER
Gallant Ho

PRINCIPAL BANKERS
China Agricultural Bank
Xinjiekou Branch

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

WEB-SITE AND E-MAIL ADDRESS
web-site: http://www.dahe-ad.com
Email address: office-dahe@263.net

STOCK CODE
8243

Financial Highlights and Calendar

For the year ended 31st December, 2005
(Expressed in Renminbi)

	2005	2004
	RMB'000	*RMB'000*
Revenue		
Turnover	**310,834**	221,790
Profitability		
Profit from operations	**36,487**	29,948
Profit attributable to shareholders	**19,873**	18,478
Net Worth		
Shareholders' funds	**258,641**	245,451
Per share		
Basic earnings per share (RMB)	**2.4 cents**	2.2 cents
Net assets per share	**31.2 cents**	29.6 cents

FINANCIAL CALENDAR

Results for the year	Announcement on 30th March, 2006
Annual report	Dispatched to shareholders in late March 2006
Annual general meeting	20th May, 2006

Chairman's Statement

Dear Sirs

On behalf of the Dahe Media Co., Ltd., I am pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2005 to shareholders.

2005 was a year in which the Group successfully underwent transformation. During the period, the Group's operating income was approximately RMB310,834,000, up 40% from the same period last year. Earnings attributable to shareholders was approximately RMB19,873,000, up 8% from the same period last year in 2004.

During the year, income and earnings from the Group's core operations had considerable growth. While making great efforts in strengthening its businesses in the dissemination and production of outdoor media, the Group fully implemented the strategy of extending the media market supply chain so as to advance to the downstream and upstream sectors of the supply chain. During the period, the Group established a professional media agency company and fully capitalized on its intermediary position as an independent medium and its role as a media purchasing recommender in the perspective of customers to speed up the integrity of the Group's industry chain. The Group also cooperated positively with international advertising celebrities to establish a professional integrated media group for providing services such as advertising creative and design for leading international customers.

During the period under review, the Group's outdoor media business contributed RMB153,128,000 (2004: RMB75,573,000) to its operating income, representing an increase of 103% over the same period last year. With an aggressive marketing strategy, the Group secured advertising media space of 188,000 square metres, with its advertising operations distributed over 58 major cities throughout the country. What was more exciting was that through the Group's continued efforts, more and more customers became its long-term customers, thus ensuring the Group's income over the next one to two years.

The Group also saw strong growth in its media production business which generated an operating income of approximately RMB151,006,000 (2004: RMB143,550,000), up 5% from the same period last year. During the period, the Group made positive efforts in securing high-end customers and created a system of diversified businesses comprising spraying and drawing production, digital photography, LED, advertising lighting boxes and acrylic displays so as to provide comprehensive services to customers. The Group integrated its original printing operations to form an independent printing house and attract professional management talents to expand and strengthen the business.

By making tremendous efforts during the year, the Group has expanded its operations from outdoor media production and dissemination businesses to cover media purchasing and agency businesses and is progressively entering the area of TV media and printed media. We believe that during this year, the Group has significantly increased its overall operating capacity and has successfully undergone business transformation. The Group has managed to maintain a growth of more than 40% in its turnover. We firmly believe that the Group will achieve organic growth through each of its existing branch offices and subsidiaries and make even greater progress in subsequent years through project investment activities in the area of existing operations.

The Group has made "domestic international media group" as its new positioning and will strive to become a leading intelligent integrated media group in China through efforts over the next three years. To realize this vision, as far as the industry strategy is concerned, the Group will provide one-stop services to customers through its expertise in the introduction of brands, sales and marketing and planning and launch. For the organizational structure, the Group will separate the function of business operation from the investment management function of the headquarters, and has created four relatively independent operating groups, namely outdoor media, mass media, production and integrated sales and marketing, in accordance with business characteristics. At the same time, it has transferred functions of some operating centres to Beijing and Shanghai so as to take advantage of proximity to develop high-end customers directly and to match the serves of international 4A companies. For the geographical strategy, the Group will adopt different strategies for different regions and strengthen its integrated operation in Jiangsu, Beijing, Shanghai and key regions. In non-key regions, it will continue its specialized operations and fully develop the specialized services. As for the human resources strategy, on one hand, the Group stepped up its efforts to attract high-level professionals. Many of the Group's professionals had the background of holding senior management positions in 4A firms. On the other hand, the Group also recruited various local and foreign experienced consultants to offer professional advice to the Group on its operations and management. We firmly believe that the joining of people of high standards will further enhance the enterprise's competitiveness in the market.

Last, I would like to thank the Group's management and all staff for their dedication and contribution to the development of the Group.

He Chaobing
Chairman

Nanjing, 30th March, 2006

Management Discussion and Analysis

BUSINESS REVIEW

As at 31st December, 2005, the Group's turnover was approximately RMB310,834,000 (2004: RMB221,790,000), up approximately 40% from the corresponding period last year. During the period, net profit was approximately RMB19,873,000 (2004: RMB18,478,000), up approximately 8% from the corresponding period last year. The income derived from outdoor media dissemination and outdoor media production businesses accounted for 49% (2004: 34%) and 49% (2004: 64%) respectively. Earnings per share were approximately RMB2.4 cents. (2004: RMB2.2 cents)

OUTDOOR MEDIA DISSEMINATION BUSINESS

As at 31st December, 2005, the Group's turnover for its outdoor media dissemination business was approximately RMB153,128,000 (2004: RMB75,573,000), up approximately 103% from the corresponding period last year. During the period, the Group experienced a continued increase in its outdoor media resources holdings through construction and development on its own initiative, joint operation and the entering into of strategic alliances, with own media resources of more than 170,000 square metres and integrated media resources of more than 32,000 square metres.

During the period, the Group's average launching rate for outdoor media was approximately 66%. The Group strengthened its sales team. It also developed new media according to customers' needs and made full use of vacant media resources to meet market demands such as new product launch by customers, event promotion and trade fair dissemination. The Group adopted various sales and marketing strategies such as short-term dissemination and bundled sales and applied an extensive dissemination approach so that customers could build up their reputation extensively within a short period of time. Meanwhile, this also significantly increased the utilization rate of media resources, thus speeding up the recovery of costs and achieving operating effectiveness. According to initial statistics, the launching rate for mature media resources (with an operating history of approximately two years) is as high as 68% while that for new media resources (with an operating history of less than one year) also reaches approximately 36%.

During the period under review, the Group's operations were expanding actively in the aspects of media coverage and sales amount. Based on customers' requirements, it leased media resources owned by third parties and rented out media locations owned permanently to third parties. Currently, the Group has extended its presence to more than 50 cities throughout the country, thus satisfying customers' requirements for whole-country dissemination to the greatest extent possible.

OUTDOOR MEDIA PRODUCTION BUSINESS

As at 31st December, 2005, the Group's turnover for its outdoor media production business was approximately RMB151,006,000 (2004: RMB143,550,000), up approximately 5% from the corresponding period last year.

During the period under review, the Group's outdoor media production business developed steadily, with full-year production of 4,390,000 square metres. From this year onwards, the imported production equipment owned by the Group will have part of the depreciation expiring. This will increase the Group's production profit margin to some extent. With a production business market close to saturation, the Group, while making great efforts in securing customers and surpassing others by quality, is actively introducing and updating technologies. During the period, the Group has acquired a new outdoor shooting machine so as to enrich its business structure and enhance its integrated service capability. The shooting machine is a Roland high-precision outdoor shooting machine which is the most advanced equipment currently available in the outdoor shooting production market with a maximum production of 30 square metres per hour.

BUSINESS EXPLORATIONS

The Group has strengthened its ties and cooperation with all branch offices, subsidiaries and divisions and consecutively secured various national orders, including a large number of renowned customers such as 慧聰網, 中國劉陽河酒業有限公司, NIKE, 金鷹國際 and 北京現代. The Group has been adhering to the operating positioning of being an "integrated advertising provider" as well as a market-oriented and customer-oriented approach to thoroughly identify and explore customers' needs and potential. In particular, through the integration of resources, the advantages of the Group's extensive network and comprehensive services have been brought into full play. Internal and external resources have been integrated effectively, thus allowing the Group to provide all round services ranging from advertising creativity, design and production to dissemination to customers.

During the period, the Group successfully developed customers such as 順馳地產, 慧聰國際 and 山推股份. For 順馳地產, the total contract amount was $10 million. Investments in outdoor media of 慧聰國際 amounted to $5 million. Total outdoor media investment of 山推股份and the VI Driving Plan involved an amount exceeding $10 million.

During the period under review, the Group won the bid at the Hai'er northwest region advertising bidding session and secured all signage business from Hai'er customers in the northwest region. Meanwhile, the Group successfully entered into a production agreement with NIKE and became its designated major production provider in the PRC. It also commenced on overall cooperation with the Levis of Swiss by signing an one-year advertising production agency contract. The Group also entered into an outdoor media advertising contract amounting to RMB8 million with 固特異輪胎 (Goodyear Tire & Rubber Company) on the dissemination of its advertising in 17 Cities in the PRC. During the period, the Group also secured image modification project of RMB25 million from Sinopec and PetroChina.

INVESTMENT AND ACQUISITIONS

During the period, the Group implemented various acquisition and cooperation plans in accordance with its business development needs. In order to better drive the promotion of the "Ankang Advertising Column" project, Dahe Media acquired a 15% stake in Beijing Millenium Aukang International Media Co., Ltd. held by 北京安康同業文化發展有限公司 and became a subsidiary of the company.

The Group also spinned off the printing business from its outdoor advertising production business by forming Nanjing Dahe Color Printing Co., Ltd., in which Dahe Media accounted for 90% of its registered capital, in conjunction with Nanjing Renhua Printing Service Co., Ltd (南京潤華印務有限公司). Following the establishment of the new company, sales income derived from the printing business increased significantly over last year.

MAJOR EVENTS

During the period, to adapt to the enterprise's strategic needs for international development and upon the approval by the State Administration for Industry and Commerce, the Company has changed its Chinese name to "大賀傳媒股份有限公司" and has adopted the English name of "Dahe Media Co., Ltd." and the Group's new logo after repeated selection.

During the period under review, recommended by the board and the supervisory committee, members of the new board and supervisory committee were appointed. Miss Chan E Nam Viveca, who has rich experience in working for international 4A companies, has become an executive director of the Company. The joining of Miss Chan will further improve the Company's operating quality and she will give professional advice for the Group to make decisions.

INTERNAL CONSTRUCTION

During the period, the Group implemented in full range its internal corporate informatisation management and constructed Customer Relationship Management (CRM) system, Office Automation (OA) system, order system for media location and portal website, Human Resources Management (HR), video conference system and VOIP group telephone system. This has caused positive impact on the risk control, and on the operation control of branches and subsidiaries as well as staff performance assessment. At the same time, through informatisation management, working efficiency has been enhanced, and management cost reduced.

EMPLOYMENT OF PROFESSIONALS AND CONSULTING TEAMS

While undergoing business transformation, the Group has actively employed middle and senior management personnel and hired various Chinese and foreigners as the Group's consultants who will give professional advice on strategic planning, corporate management and business decision making.

HONOUR AND AWARDS

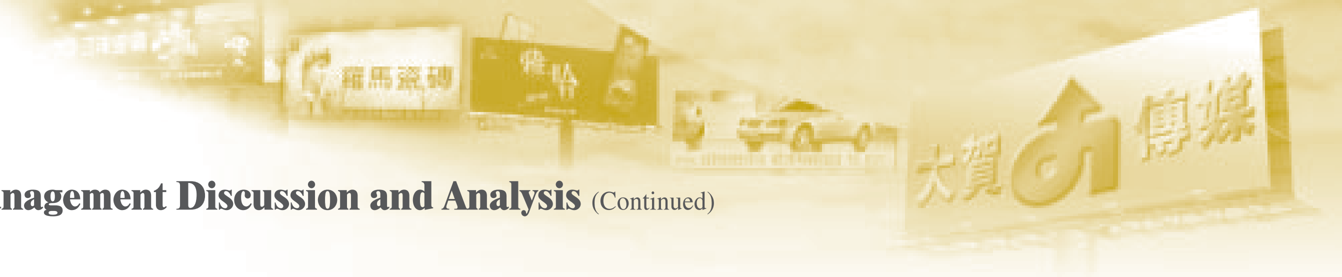
The Group was again recognized as a "High and New Technology Enterprise". Since 2001, the Group has been awarded the honour for passing the assessment by the relevant government department for five years in a row. Also, the Group again successfully passed the International Quality System ISO9001: 2000 certification annual review. This marked a higher degree of standardization in management, production and services for the enterprise and an increase in customer satisfaction and operating smoothness of the enterprise. During a competition within the industry, the Group won three prizes: "Top 30 China Domestic Advertising Companies in terms of Integrated Capability", "Top 100 Most Influential Domestic Advertising Companies" and the Group's chairman was elected "100 Most Influential People in Media Advertising Operation in China".

During the "2004 China Outstanding Outdoor Advertising Creativity Award (2004 中國優秀戶外廣告創意獎)" competition of the 2nd China Outdoor Advertising Conference, among the 274 entries submitted, the seven entries submitted by the Group won one silver prizes and six bronze prizes without winners of the gold prizes. This again demonstrated the Group's design creativity level.

FUTURE DEVELOPMENT PLANS AND STRATEGIES

Facing an increasingly competitive environment, while maintaining steady development, the Group will actively expand its business network and customer network through self development, acquisitions and mergers and integrated leasing. Besides, it will enter into active partnership with international companies to learn advanced management experience, recruit talents of multiple levels and strengthen the corporate governance system so as to improve corporate management quality.

Looking ahead, the Group will focus on business platform construction in the Jiangsu region. At the same time, it will actively develop regional markets such as Beijing, Shanghai and Guangzhou, research and develop new media, create a multiple-category and diversified business model and strive to become a leading outdoor advertising operator with innovative thinking in the PRC.



A COMPARISON BETWEEN BUSINESS PLANS AND ACTUAL PROGRESS

An analysis comparing the Group's business objectives as stated in the Company's prospectus with the Group's actual progress up to the year ended 31st December, 2005 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: For the year ended 31st December, 2005 *(HKD million)*	Actual Use: For the year ended 31st December, 2005 *(HKD million)*
1.	Expansion of the Group's existing outdoor media network	To acquire approximately 15,000 square metres of additional advertising space in Jiangsu, Jiangxi, Xinjiang, Zhejiang and Beijing	Has acquired advertising spaces of approximately 40,000 square metres	12.5	—
2.	Production and installation of new multi-media system based advertising media	Production and utilisation of new media system and install in outdoor display areas	Production and installation of new media advertising of approximately 2,000 square metres	4.4	—
3.	Strengthening of the Group's service network and computer network infrastructure	Identify and evaluate the feasibility of setting up more branches or service departments in other cities in the PRC	In the process of evaluation based on business development	/	—
	Total			16.9	—

FINANCIAL REVIEW

Working Capital and Financial Resources

As at 31st December, 2005, trade and other payables decreased to RMB25,108,000 from RMB33,186,000 in 2004. Trade and other receivables increased to RMB126,699,000 from RMB86,269,000 in 2004.

As at 31st December, 2005, bank balance and cash held by the Group amounted to RMB102,830,000; bank loans and other loans of the Group amounted to RMB180,000,000. Debt-Equity Ratio was 0.7, being the percentage of bank loans over shareholders' equity of RMB258,641,000.

Profits attributable to shareholders reached RMB19,873,000 up 8% as compared with last year.

Sales, General and Administrative Expenses

In 2005, sales, general and administrative expenses were approximately RMB57,821,000. In 2004, it was approximately RMB44,900,000.

Finance Cost

In 2005, finance cost was approximately RMB9,206,000. In 2004, it was approximately RMB5,667,000.

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 2005 was 15%. Income tax for 2005 and 2004 were approximately RMB5,153,000 and RMB3,522,000.

Minority Interests

As at 31st December, 2005, minority interests amounted to RMB32,626,000. In 2004, it was approximately RMB27,651,000.

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 RMB81,978,000, and net assets was approximately RMB258,641,000. In 2004, they were RMB35,327,000 and RMB245,451,000 respectively.

Important Investment, Purchase and Sales

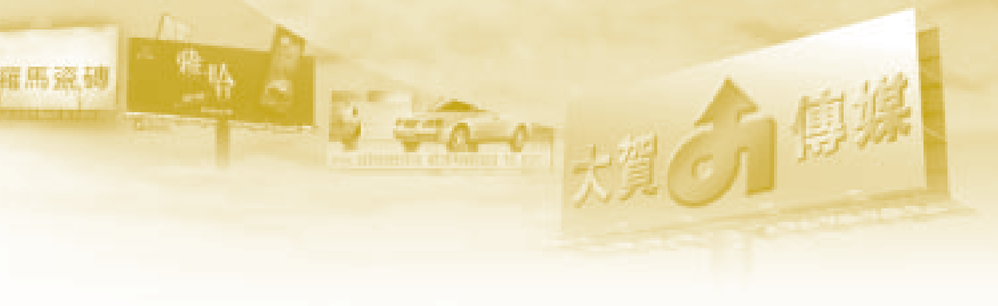
In 2005, the Group did not make any important purchases or sales, and did not utilize the funding to invest in any financial tools.

Employees

As at 31st December, 2005, the Group has a total of 1,230 full-time staff. The Group regularly provided training and development programs to the staff.

Contingent Liabilities

As at 31st December, 2005, the Group had no material contingent liabilities.



Report of the Directors

The Directors present their annual report together with the audited financial statements for the year ended 31st December, 2005.

PRINCIPAL ACTIVITY

The Company and its subsidiaries principally engage in the design, printing and production of outdoor advertising products and the dissemination of outdoor advertisement by renting outdoor advertising space in the PRC. The principal activities of the subsidiaries are set out in note 18 to the financial statements.

SEGMENTAL INFORMATION

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

RESULTS AND APPROPRIATIONS

The profit of the Group for the year ended 31st December, 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 31 to 80.

The directors recommend the payment of a final dividend of RMB0.006 per share (before tax), totaling RMB4,980,000 in respect of the year ended 31st December, 2005.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest customer and the five largest customers accounted for approximately 6% and 17% respectively of the Group's turnover.

In the year under review, the Group's largest supplier and five largest suppliers accounted for approximately 3% and 10% respectively of the Group's purchases.

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in note 14 to the financial statements.

INTANGIBLE ASSETS

Details of the movements in intangible assets of the Group and the Company during the year are set out in notes 16 and 17 to the financial statements.

SUBSIDIARIES

Particulars of the subsidiaries of the Company are set out in note 18 to the financial statements.

BANK LOANS

Particulars of bank loans of the Company are set out in note 25 to the financial statements.

SHARE CAPITAL

There was no movement in the authorised and issued share capital of the Company during the year. Details of the share capital of the Company are set out in note 28 to the financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 29 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31st December, 2005, the reserves of the Company available for cash distribution or distribution in specie was amounted to approximately RMB173,096,000.

DIRECTORS

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

Executive directors

HE Chaobing
WANG Weijie

Non-executive directors

HE Lianyi	
LI Huafei	
HU Guangli	(appointed on 5th July 2005)
CHAN E Nam Viveca	(appointed on 1st January 2006)
ZHAO Hongying	(resigned on 5th July 2005)
JU Guanyu	(resigned on 31st December 2005)

Independent non-executive directors

QIAO Jun
CHENG Zhiming
LI Yijing
SHEN Jin

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 12 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 has been renewed for a further term of three years coming 1st January 2006 for upon re-election and re-appointment at the extraordinary general meeting of the Company on 23rd December 2005.

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

Details of the appointments of the independent non-executive directors are set out in the Corporate Government Report.

The Company confirms that it has received from each of its independent non-executive directors a confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company consider the independent non-executive directors to be independent.

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

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 31 to the financial statements, no directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

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

None of the Directors or Supervisors of the Company or any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 31st December, 2005.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Group and the Company did not purchase, sell or redeem any of its listed securities during the year.

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

As at 31st December, 2005, 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") were also applicable 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 that required to be notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules were as follows:

Name of Director/ Supervisor *(note 1)*	**Name of Company/ 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%
He Lianyi	Company	Beneficial owner	6,400,000 domestic shares of RMB0.10 each (L)	1.10%
Wang Mingmei	Company	Beneficial owner	3,800,000 domestic shares of RMB0.10 each (L)	0.66%
Wang Weijie	Company	Beneficial owner	3,800,000 domestic shares of RMB0.10 each (L)	0.66%

Notes:

1. All persons named above are Directors, except Ms. Wang Mingmei who is a Supervisor.

2. The letter "L" denotes the Director's/Supervisor's long position interests in such shares.

3. The interests in the domestic shares were held through 江蘇大賀國際廣告集團有限公司(Jiangsu Dahe International Advertising Group, Co., Ltd.) which was owned as to 90% by Mr. He Chaobing.

Save as disclosed above, as at 31st December, 2005 none of the Directors and the Supervisors have 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 that required to be notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS AND PARTIES HOLDING INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

A. SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2005, the following persons/entities had interests or short positions 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 party/entity's interests in the domestic shares of the Company.
2. The interests 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 provisions 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.

B. OTHER PARTIES REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As at 31st December, 2005, save for parties/entities disclosed in sub-section A above, the following parties/entities had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Number and class of securities *(note 1)*	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the entire issued share capital of the Company *(note 5)*
Yan Jian	Beneficial owner	57,800,000 domestic shares of RMB0.10 each (L)	9.96%	6.97%
		14,000,000 domestic shares of RMB0.10 each (S)	2.41%	1.69%
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 3)*	50,000,000 domestic shares of RMB0.10 each (L)	8.62%	6.02%
江蘇南大高科技風險投資有限公司 (Jiangsu Nanda Venture Capital Co., Ltd.)	Beneficial owner	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%
南京斯威特新技術創業有限責任公司 (Nanjing SVT New Technology Venture Co., Ltd.)	Interest of a controlled corporation *(note 4)*	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%

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 6)*
南京斯威特集團有限公司 (Nanjing SVT Group Co., Ltd.)	Interest of a controlled corporation *(notes 4 and 5)*	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%
西安通郵科技有限公司 (Xian Tong You Technology Co., Ltd.)	Interest of a controlled corporation *(notes 4 and 5)*	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 H shares of RMB0.10 each (L)	15%	4.52%
Commerzbank Aktiengesells-chaft	Beneficial owner	15,000,000 H shares of RMB0.10 each	6%	1.81%

Notes:

1. The letter "L" denotes the party/entity's long interests in the domestic shares of the Company.

2. The letter "S" denotes the party/entity's short interests in the domestic shares of the Company.

3. The interests in the domestic shares were held through Nanjing Hi-Tech Venture Capital Co., Ltd., the registered capital of which is owned as to 60% by Nanjing Productivity Enhancement Centre.

4. The interests in the domestic shares were held through Jiangsu Nanda Venture Capital Co., Ltd., the registered capital of which is owned as to 80% by Nanjing SVT New Technology Venture Co., Ltd..

5. Nanjing SVT New Technology Venture Co., Ltd. is owned as to 55% by Nanjing SVT Group Co., Ltd. which is in turn owned as to 94% by Xian Tong You Technology Co., Ltd..

6. 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 party/entity had interests or short positions in the shares and underlying shares of the Company as recorded on 31st December, 2005 in the register required to be kept under section 336 of the SFO.

MANAGEMENT CONTRACTS

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

COMPETING INTEREST

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

PRE-EMPTIVE RIGHTS

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

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group had certain connected transactions, further details of which are included in note 31 to the financial statements.

STAFF RETIREMENT SCHEME

Details of the staff retirement scheme of the Group are set out in note 13 to the financial statements.

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, 2005 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.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 24 to 29 of the annual report.

AUDITORS

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

By Order of the Board
He Chaobing
Chairman

Nanjing, the PRC
30 March, 2006

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 Dahe Media Co., Ltd. (the "Company") seriously discharged its duties in safeguarding the shreholders' interests and protecting the Company's benefits, and have complied with the principles of integrity, and carried out their work conscientiously, reasonable, 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 2005 and the economic effect obtained, and is confident for the prospects of the Company's future developments.

By Order the Board
Chairman
Wang Mingmei

Nanjing, the PRC, 28th March, 2006

DIRECTORS

Executive Directors

Mr. He Chaobing (賀超兵先生), aged 46, senior economist. He graduated from the Nanjing School of Arts of Nanjing University, with a degree of EMBA, and was the founder of Dahe Group. He is currently an executive Director and President of the Group, the leader of Outdoor Advertising Committee of China Advertising Association (中國廣告協會戶外廣告委員會主任), member of the China Advertising Professional Technical Qualification Appraisal Committee (中國廣告專業技術資格評定委員會), member of the Academic Committee of China Advertising Association (中國廣告協會學術委員會), deputy head of Jiangsu Advertising Association (江蘇省廣告協會), a member of the Nanjing Municipality People's Political Consultative Conference (中國人民政治協商會議), deputy head of Nanjing Industrial and Commercial Union (Trade Union) (南京市工商聯合會) (商會).

Ms. Wang Weijie (王偉杰女士), aged 36, graduated from the Nanjing University of Science and Technology (南京理工大學). She is currently an executive Director, vice President and chief accountant of Dahe Group. She has been the financial manager of Nanjing Suning Industrial Company (南京蘇甯實業有限公司), and joined Dahe since 1998.

Non-executive Directors

Mr. Li Huafei (李華飛先生), aged 43, graduated from the Scientific Research Institute of the Ministry of Finance in 1991. He is currently a non-executive Director of Dahe Group, general manager of Nanjing Hi-Tech Venture Capital (南京市高技術風險投資股份有限公司). Previously, he has been the deputy general manage of Nanjing Hi-Tech Venture Capital, and the general manager of Nanjing State-owned Assets Operation (Holding) Company (南京市國有資產經營 (控股) 公司).

Mr. He Lianyi (賀連意先生), aged 55, an experienced manager in the production of outdoor advertisements. He is currently a non-executive Director of Dahe Group, and the general manager of Nanjing Dahe Advertising Engineering Industrial Co., Ltd.

Mr. Hu Guangli (胡光力先生), aged 28, was graduated from the University of Kent in 2004, and is currently a non-executive Director of Dahe Group, assistant to the general manager of Jiangsu Nan Da Gao Ke Ji Feng Xian Tou Zi You Xian Gong Si (江蘇南大高科技風險投資有限公司).

Ms. Chan E Nam Viveca (陳一枬女士), aged 51, is currently the deputy director of the Corporate Committee of China Advertising Association, chairman of Hong Kong Advertising Association, chairman of Public Relationship Advertising Committee of Hong Kong Management Association ("HKMA"), member of Super-brand and China CRM Sales Council, honorary professor of Shanghai Fudan University, and part-time professor in sales and advertising profession of Nanjing Faculty of Economy. She has been the chairman and executive president of Grey Global Group (精信整合傳播集團) of the China and Hong Kong regions.

Independent non-executive Directors

Mr. Qiao Jun (喬均先生), aged 44, graduated from Shanghai Jiaotong University in 1993 with a bachelor degree in economics, and obtained a master degree in philosophy from the University in 1997. He is currently an independent non-executive Director of Dahe Group, head and professor of the Academy of Marketing and Logistics Management of Nanjing Finance and Economics University (南京財經大會營銷與物流管理學院), head of Nanjing Municipal Development Research Center of Nanjing Finance and Economics University (南京財經大學南京都市圈發展研究中心), head of Jiangsu Commercial Research Center (江蘇省商貿流通研究中心), secretary general of China Market Association (中國市場協會), member of the standing committee of the Academic Committee of China Advertising Association (中國廣告協會學術委員會), deputy head of Jiangsu Advertising Association (江蘇省廣告協會), secretary general of Jiangsu Production Society (江蘇省生產學會), editor of the China Advertising Magazine (「中國廣告」雜誌), standing council of the "Zhongguo Liutong Jingji" magazine (「中國流通經濟」雜誌), deputy chief editor of "China Marketing Directory" magazine (「市場營銷導刊」雜誌).

Mr. Cheng Zhiming (成志明先生), aged 44. Mr. Cheng graduated from Nanjing University with a doctorate degree in December 1998. He is currently an independent non-executive Director and a professor of the Faculty of International Business.

Mr. Li Yijing (李一敬先生), aged 75, senior accountant. He is currently an independent non-executive Director of Dahe Group, member of the consultative committee of the Bank of Communications, head of the consultative committee of Nanjing branch of Bank of Communications, consultant of the Nanjing Chief Accountant Association (南京總會計師協會), member of the Expert Committee of China Chief Accountant Association (中國總會計師協會). He has also been the general manager (branch head) of Nanjing branch of Bank of Communications, director of the Bank of Communications.

Mr. Shen Jin (沈勁先生), aged 48. He obtained a master's degree in language studies from Nanjing Normal University (南京師範大學) in 1989 and a doctor of philosophy degree from the University of Hong Kong in 2001. He is currently an independent non-executive Director of Dahe Group, senior manager of South China Holdings Limited (香港南華集團). He has been the professor in the Faculty of Foreign Languages of Nanjing Normal University and the Faculty of Education of Hong Kong University, deputy general manager of Hong Kong Zijin Lianhe Development Co., Ltd. (香港紫金聯合發展有限公司).

SUPERVISORS

Ms. Wang Mingmei (王明梅女士), aged 57, 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 Group. Ms. Wang is currently the general manager of the Nanjing branch of the company.

Mr. Liu Jianbo (劉建波先生), aged 34, 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 1990 and a master's degree in business administration form Nanjing Linye University in 2000. He is currently working as a deputy 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).

Mr. Xue Guiyu (薛貴餘先生), aged 46, is a representative nominated by the cmployees of the Company on the supervisory committee. Mr. Xue worked in a manufacturing company in Nanjing for over 10 years. Mr. Xue joined the Group in 2000.

SENIOR MANAGEMENT

Mr. Huang Chengfa (黃承發先生), aged 48, graduated from Hong Kong Baptist University with a degree in Marketing. He obtained an EMBA degree from Queen's University in 2002. He is currently working as chief operations officer of Dahe Group and chief operations officer of Dahe Media Group. He served as chief operations officer of 現代傳媒集團, executive director of 騰志廣告公司 and chief executive officer of 傳立廣告集團, China Division.

Mr. Yang Jianliang (楊建良先生), aged 39, a Canadian Chinese, graduated from the Faculty of Engineering of Nanjing University and International Commercial College, Canada Securities College, Ryerson Polytechnic University of Canada (加拿大懷爾遜大學), with MBA degree, bachelor degree in both engineering and economics. He is currently the Board secretary and vice President of the Group. He worked in government authorities and real estate groups in the PRC from 1990 to 1999, and worked in the North American International Group of Canada, engaging in investment and marketing from 1999 to 2004. He joined the Group in 2004, overlooking media operations. He participated in various senior training, and is one of the first batch of registered quality system appraisers recognized by ISO International Standardising Organisation, and is an economist in the Ministry of Personnel of the PRC. He possesses the qualification for dealing in Canadian securities funds, international trading certificate and project management certificate. He obtained "The Second China MBA Award" in 2005.

Mr. Qin Chao (秦超先生), aged 51, 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. He joined the Group in 2001, and is currently the Vice President of the Group, Mr. Qin worked as the deputy factory manager of China Packaging Nanjing Plastic Packaging Materials Factory (南京塑膠包裝材料總廠) and also as a secretary to the Board and an assistant manager of Nanjing Zhongda Film (Group) Co., Ltd. (南京中達制膜(集團)股份有限公司).

Members of Foreign Consultant Team

Mr. Bernd M. Michael, German, is currently a consultant of the Group's senior consultant team, and is one of the founders of Global Sources (環球資源). He was the chief executive of the company from 1971 to 1993, and the chairman of the company from 1994 to August 1999, and has been the executive president since September 1999. He is also a member of the Board of Thunderbird and Economic Strategy Institute. He has been the Europe regional chairman of Grey Global Group (美國精信整合傳播集團).

Mr. Johnny Lo, British Chinese, is currently a consultant of the Group's senior consultant team, and is the general manager of 北京天空海闊廣告公司. Mr. Lo has over 20 years experience in advertising, his senior qualification makes him one of the top experts in the outdoor advertising industry. He has been engaged in advertising planning, marketing, media analysis in the South China Morning Post, Leo Burnett Advertising Company (李奧貝納廣告公司) and MTR Corporation Limited, and has been the executive consultant and managing director of Mindshare (傳立媒體), assisted in the establishment of Portland Outdoor China.

Mr. Gilbert Y. Yang, American Chinese, is currently a consultant of the Group's senior consultant, general manager of Shanghai Adbay Management Consulting Company Limited (上海廣告灣管理諮詢有限公司), columnist of "Modern Advertising", senior expert in advertising media management, and has published over 20 articles regarding how to management advertising media in the past three years, including a book titled "Discerning – new way of thinking in the management of advertising companies". He has been the CEO of the China region of 盛世長城, financial controller of the China region of J. Walter Thompson (智威湯遜廣告公司).

(A) CORPORATE GOVERNANCE PRACTICE

Since 1st January, 2005, the Hong Kong Stock Exchange of Hong Kong Limited (Hong Kong Stock Exchange" has issued the new Code on Corporate Governance Practice (the "Code") to replace the Code of Best Practice. The Code is effective for reporting financial years beginning after 1st January, 2005. The Company has adopted the Code as its corporate governance practice.

The Board considers that the Company has complied with the Code on Corporate Governance as set out in Appendix 15 of the Listing Rules of the Stock Exchange for the year ended 31st December, 2005.

Rule C.2 of the provisions of the Code stipulates that the Board shall review the effectiveness of the internal control system and report it in this corporate governance report. The Board has been aware of the change in the provisions which will be adopted by the Company to ensure strict compliance with the Code on Corporate Governance.

(B) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules of the Hong Kong Stock Exchange as the code for its directors and supervisors. The Company has confirmed, after making specific enquiries to all its directors and supervisors, all directors and supervisors of the Company has complied with the relevant standards stipulated in the aforesaid code.

(C) BOARD OF DIRECTORS

(i) Composition of the Board

Executive directors:
HE Chaobing *(Chairman)*
WANG Weijie *(Chief Executive Officer)*

Non-executive directors:

JU Guanyu	(retired on 31st December, 2005)
CHAN E Nam, Viveca	(appointed on 1st January, 2006)
LI Huafei	
ZHAO Hongying	(retired on 5th July, 2005)
HU Guangli	(appointed on 5th July, 2005)
HE Lianyi	

Independent non-executive directors:
QIAO Jun
CHENG Zhiming
LI Yijing
SHEN Jin

(ii) Operation of the Board

The post of Chairman is held by Mr. HE Chaobing. The Board is responsible for supervising the management of operations and affairs, approving strategic plans and reviewing financial performance.

The posts of Chairman of the Board and Chief Executive Officer (i.e. General Manager) are held by two separate individuals so as to ensure the respective independence of the posts, accountability and liability commitment. The Chairman is responsible for monitoring the operation of the Board and developing the overall strategy and policy of the Company. The General Manager is responsible for managing the business and overall operations of the Group. The daily management of the Company is handled by management staff.

(iii) Relationship of members of the Board

To the knowledge of the Company, other than HE Lianyi and HE Chaobing who are brothers to each other, there is no financial, business and family relationship among all members of the Board and Chairman and General Manager. They are free to make independent judgement.

(iv) The number of Board meetings held in the financial year

Apart from other Board meetings which are held in respect of significant and important affairs and for legal purpose, the Board holds one regular meeting approximately every three months and at least four meetings each year. The members of the Board will secure appropriate and sufficient information in a timely manner so that they can have knowledge of the Group's latest development, which will facilitate them in performing their duties.

(v) Independent non-executive directors

The Company has appointed four independent non-executive directors (exceeding the requirements of Rule 3.10(1) and Rule 3.10(2) of the Listing Rules).

The Company has received independent confirmations issued by all independent non-executive directors pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive directors are independent parties.

Non-executive directors and independent non-executive directors are appointed as directors for a term of three years starting from 1st January, 2006.

(vi) Attendance of directors at Board meetings

The following table sets out the attendance of all directors at Board meetings during the year:-

		Attendance at meetings/number of meetings held for the year ended 31st December, 2005
Directors:		
HE Chaobing *(Chairman)*		8
WANG Weijie *(Chief Executive Officer)*		8
Non-executive directors:		
JU Guanyu	(retired on 31st December, 2005)	6
CHAN E Nam, Viveca	(appointed on 1st January, 2006)	N/A
LI Huafei		7
ZHAO Hongying	(retired on 5th July, 2005)	2
HU Guangli	(appointed on 5th July, 2005)	2
HE Lianyi		8
Independent non-executive directors:		
QIAO Jun		8
CHENG Zhiming		6
LI Yijing		8
SHEN Jin		8
Number of meetings held during the relevant period		8

(D) BOARD COMMITTEES AND BOARD AD HOC COMMITTEES

The Board has established various board committees, including audit committee and remuneration committee, to supervise the Company's affairs within specific areas and assist the Board in performing its duties.

(i) Audit Committee

Members

The Company has worked out the terms of reference of the Audit Committee pursuant to the requirements of the Stock Exchange. The Audit Committee comprises all four independent non-executive directors.

As at 31st December, 2005, the following table sets out the attendance of the members of the Audit Committee at meetings of the Audit Committee during the year:-

	Attendance at meetings/number of meetings held for the year ended 31st December, 2005
QIAO Jun *(Chairman)*	4/4
SHEN Jin	4/4
CHENG Zhiming	4/4
LI Yijing	4/4
Number of meetings held during the relevant period	4

Roles and Duties

The Audit Committee is mainly responsible for overseeing the Company's internal audit system and its implementation; reviewing the Company's financial information and its disclosure; reviewing the Company's internal control system; auditing major connected transactions; and communication, supervision and verification of the Company's internal and external audit.

Working Report

For the year ended 31 December 2005, the Audit Committee held a total of four meetings with focus on reviewing and discussing: (1) matters related to audit and financial reporting; (2) appointing external auditors; (3) work with external auditors to establish an internal control system; and review the Company's annual, half-yearly and quarterly financial statements. Having evaluating the integrity, accuracy and fairness of the Company's financial statements, all members unanimously believe that the financial statements have disclosed sufficient information and accurately reflected the Company's financial position. All members of the Audit Committee can access the auditor and all senior staff of the Group without any limitations.

(ii) Remuneration Committee

Members

The Company has established the Remuneration Committee whose duties are the same as that contained in Code B.1.3 of Appendix 15 of the Listing Rules of the Hong Kong Stock Exchange. The Remuneration Committee comprises three directors with two of them being independent directors. Miss WANG Weijie holds the post of chairlady of the Remuneration Committee.

As at 31st December, 2005, the following table sets out the attendance of the members of the Audit Committee at meetings of the Audit Committee during the year:-

	Attendance at meetings/number of meetings held for the year ended 31st December, 2005
WANG Weijie	1/1
SHEN Jin	1/1
CHENG Zhiming	1/1
Number of meetings held during the relevant period	1

Roles, Duties and Work Summary

The Remuneration Committee is responsible for ensuring a formal and transparent procedure for formulating the remuneration policy and supervising the implementation of remuneration portfolio of executive directors and senior management. The Remuneration Committee is mainly responsible for formulating the Company's human resources development strategy and planning, approving the Company's human resources development plans, formulating the compensation standard for directors and senior management, examining and approving the Company's total wage adjustment plan, incentive plan, option plan and plan for amending the salary system. Factors which will be considered by the Remuneration Committee include salary level of comparable companies of a same size in the same industry, personal details of all directors and senior management, time devoted and duties etc. The Remuneration Committee holds at least one meeting each year.

The Remuneration Committee held a meeting for the year ended 31st December, 2005 to evaluate the remuneration policy for directors.

(E) SUPERVISORS AND SUPERVISORY COMMITTEE

The Company's Supervisory Committee comprises three supervisors with two of them being representatives of shareholders and one of them being representative of the Company's staff. The number of members of the Supervisory Committee and its member composition comply with the requirements of laws and regulations.

The Supervisory Committee is accountable to all shareholders and focuses on overseeing finance in actual work. Meanwhile, it will also oversee the fulfillment of duties by the Company's directors and senior management and safeguard the Company's assets and legal interests of shareholders.

(F) THE RESPONSIBILITY OF DIRECTORS IN PREPARING FINANCIAL REPORTS

Directors have confirmed their responsibility in preparing the Group's financial statements and guaranteed that financial statements have been prepared pursuant to laws and the applicable accounting principles.

Directors have confirmed, having made all reasonable enquiries, to their best knowledge, information and belief, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(G) AUDITORS' REMUNERATION

For the year ended 31st December, 2005, the Group's external auditor provided the following services to the Group:-

	RMB' 000
Audit services	734
Taxation consultation services	—
Other consultation services	—

Report of the Auditors

Horwath Hong Kong CPA Limited
Certified Public Accounts
A member of Horwath International
2001 Central Plaza
18 Harbour Road
Wanchai, Hong Kong
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REPORT OF THE AUDITORS
TO THE SHAREHOLDERS OF DAHE MEDIA CO., LTD.
（大賀傳媒股份有限公司）
(joint stock company established in the People's Republic of China with limited liability)

We have audited the financial statements on pages 31 to 80 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors 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, in accordance with section 141 of the Companies Ordinance 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, 2005 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
30th March, 2006
Chan Kam Wing, Clement
Practising Certificate number P02038

Consolidated Income Statement

For the year ended 31st December, 2005
(Expressed in Renminbi)

	Note	2005 RMB'000	2004 RMB'000
Turnover	5	**310,834**	221,790
Cost of sales		**(219,471)**	(152,118)
Gross profit		**91,363**	69,672
Other revenue	6	**2,945**	5,176
Distribution and selling costs		**(25,541)**	(20,658)
Administrative expenses		**(32,280)**	(24,242)
Profit from operations	7	**36,487**	29,948
Finance costs	8	**(9,206)**	(5,667)
Share of results of an associate		**—**	(375)
Profit before taxation		**27,281**	23,906
Income tax	9	**(5,153)**	(3,522)
Profit for the year		**22,128**	20,384
Attributable to:			
Equity holders of the Company		**19,873**	18,478
Minority interest		**2,255**	1,906
		22,128	20,384
Dividend	10	**4,980**	6,723
Earnings per share – Basic (RMB)	11	**0.02**	0.02

The notes on pages 39 to 80 form part of these financial statements.

Consolidated Balance Sheet

At 31st December, 2005
(Expressed in Renminbi)

	Note	**2005** **RMB'000**	2004 RMB'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**210,100**	214,399
Land use rights	15	**5,399**	5,514
Goodwill	16	**15,519**	2,648
Other intangible assets	17	**3,671**	3,896
Interest in an associate	19	**—**	12,224
Finance lease receivables	20	**—**	89
		234,689	238,770
Current assets			
Finance lease receivables	20	**—**	256
Inventories	21	**12,080**	11,210
Trade and note receivables	22	**62,393**	31,195
Other receivables, deposits and prepayments	23	**64,306**	55,074
Amount due from holding company	31(c)	**2,230**	—
Amounts due from related companies	31(d)	**42,967**	23,180
Bank balances and cash	24	**102,830**	93,585
		286,806	214,500
Current liabilities			
Short term bank borrowings	25	**155,000**	135,000
Trade payables	26	**13,535**	10,772
Other payables, deposits received and accruals		**11,573**	22,414
Deferred advertising income		**18,640**	8,780
Amounts due to related companies	31(e)	**2,131**	231
Other tax payables	27	**2,342**	1,630
Income tax payable		**1,607**	346
		204,828	179,173
Net current assets		**81,978**	35,327
Total assets less current liabilities carried forward		**316,667**	274,097

Consolidated Balance Sheet (Continued)

At 31st December, 2005
(Expressed in Renminbi)

	Note	2005 *RMB'000*	2004 *RMB'000* *(Restated)*
Total assets less current liabilities brought forward		**316,667**	274,097
Non-current liabilities			
Long term bank borrowings	25	**25,000**	—
Other payables		**400**	995
		(25,400)	(995)
Net assets		**291,267**	273,102
CAPITAL AND RESERVES			
Share capital	28	**83,000**	83,000
Reserves		**175,641**	162,451
Equity attributable to equity holders of the Company		**258,641**	245,451
Minority interest		**32,626**	27,651
Total equity		**291,267**	273,102

These financial statements were approved and authorised for issue by the board of directors on 30th March, 2006.

He Chaobing
Director

Wang Weijie
Director

The notes on pages 39 to 80 form part of these financial statements.

Balance Sheet

At 31st December, 2005
(Expressed in Renminbi)

	Note	2005 RMB'000	2004 RMB'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**143,653**	174,746
Land use rights	15	**5,399**	5,514
Other intangible assets	17	**1,700**	1,800
Investments in subsidiaries	18	**81,111**	49,923
Interest in an associate	19	**—**	13,500
		231,863	245,483
Current assets			
Inventories	21	**10,159**	10,291
Trade and note receivables	22	**40,151**	24,706
Other receivables, deposits and prepayments	23	**42,138**	26,864
Amounts due from subsidiaries	18	**18,983**	18,085
Amount due from holding company	31(c)	**2,230**	—
Amounts due from related companies	31(d)	**29,742**	12,460
Bank balances and cash	24	**89,972**	77,492
		233,375	169,898
Current liabilities			
Short term bank borrowings	25	**155,000**	135,000
Trade payables	26	**5,943**	9,651
Other payables, deposits received and accruals		**8,467**	14,831
Deferred advertising income		**10,840**	5,337
Amounts due to subsidiaries	18	**965**	3,239
Amount due to a related company	31(e)	**232**	231
Other tax payables	27	**1,405**	926
Income tax payables		**890**	236
		183,742	169,451
Net current assets		**49,633**	447
Total assets less current liabilities carried forward		**281,496**	245,930

	Note	2005 *RMB'000*	2004 *RMB'000* *(Restated)*
Total assets less current liabilities brought forward		**281,496**	245,930
Non-current liabilities			
Long term bank borrowings	25	**25,000**	—
Other payables		**400**	995
		(25,400)	(995)
Net assets		**256,096**	244,935
CAPITAL AND RESERVES			
Share capital	28	**83,000**	83,000
Reserves	29	**173,096**	161,935
Shareholders' funds		**256,096**	244,935

These financial statements were approved and authorised for issue by the board of directors on 30th March, 2006.

He Chaobing	**Wang Weijie**
Director	*Director*

The notes on pages 39 to 80 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2005
(Expressed in Renminbi)

	Attributable to equity holders of the Company							
			PRC statutory funds					
	Share Capital	**Share premium/ capital reserves**	**Statutory surplus reserve**	**Staff welfare reserve**	**Retained profits**	**Total**	**Minority interest**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 28)		*(note 29(i))*	*(note 29(ii))*				
Balance at 31st December, 2003	83,000	95,745	6,050	3,025	45,668	150,488	—	233,488
Balance at 31st December, 2003, as previously separately reported as minority interest	—	—	—	—	—	—	1,729	1,729
Additions	—	169	—	—	—	169	—	169
Dividend declared and paid	—	—	—	—	(6,684)	(6,684)	(29)	(6,713)
Net profit for the year	—	—	—	—	18,478	18,478	1,906	20,384
Transfer	—	—	2,345	1,172	(3,517)	—	—	—
Minority interest - Business combinations	—	—	—	—	—	—	24,045	24,045
Balance at 31st December, 2004	83,000	95,914	8,395	4,197	(a) 53,945	162,451	27,651	273,102
Dividend declared and paid	—	—	—	—	(6,683)	(6,683)	—	(6,683)
Net profit for the year	—	—	—	—	19,873	19,873	2,255	22,128
Transfer	—	—	2,419	1,210	(3,629)	—	—	—
Minority interest - Business combination	—	—	—	—	—	—	2,720	2,720
Balance at 31st December, 2005	**83,000**	**95,914**	**10,814**	**5,407**	(b) **63,506**	**175,641**	**32,626**	**291,267**

(a) The proposed final dividends for the year ended 31st December, 2004 and balance of retained profits after proposed final dividends were approximately RMB6,723,000 and RMB47,222,000 respectively.

(b) The proposed final dividends for the year ended 31st December, 2005 and balance of retained profits after proposed final dividends were approximately RMB4,980,000 and RMB58,526,000 respectively.

The notes on pages 39 to 80 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December, 2005
(Expressed in Renminbi)

	Note	2005 RMB'000	2004 RMB'000
Cash flows from operating activities			
Profit before taxation		**27,281**	23,906
Adjustments for:			
Interest income		**(1,481)**	(2,640)
Interest expense		**8,754**	5,161
Depreciation		**37,765**	30,315
Amortization of advertising rights and land use rights		**340**	340
Loss on disposal of property, plant and equipment		**93**	281
Provision for bad and doubtful debts		**3,066**	1,009
Provision for obsolete inventories		**512**	41
Amortisation of goodwill		**—**	556
Share of results of an associate		**—**	375
Operating profit before working capital changes		**76,330**	59,344
Decrease in amount due from an associate		**3,500**	—
Increase in inventories		**(1,382)**	(3,198)
Increase in trade and note receivables		**(33,222)**	(14,323)
Increase in other receivables, deposits and prepayments		**(9,286)**	(37,259)
Increase in amounts due from related companies		**(16,181)**	(3,808)
Increase in amount due from a minority shareholder		**(3,605)**	—
Increase in amount due from holding company		**(2,230)**	—
(Decrease)/increase in trade payables		**(3,660)**	2,436
(Decrease)/increase in other payables, deposits received and accruals		**(11,986)**	11,138
Increase in deferred advertising income		**10,160**	3,397
Decrease in amount due to a related company		**—**	(801)
Increase in amounts due to minority shareholders		**1,900**	—
Increase in other tax payables		**712**	635
Cash generated from operations		**11,050**	17,561
Interest paid		**(8,503)**	(6,162)
PRC income tax paid		**(3,893)**	(5,206)
Net cash (used in)/generated from operating activities carried forward		**(1,346)**	6,193

Consolidated Cash Flow Statement (Continued)

For the year ended 31st December, 2005
(Expressed in Renminbi)

	Note	2005 RMB'000	2004 RMB'000
Net cash (used in)/generated from operating activities brought forward		**(1,346)**	6,193
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(30,153)**	(56,708)
Sales proceed on disposal of property, plant and equipment		**189**	23
Placement of pledged deposits		**(30,000)**	—
Payments for construction in progress		**—**	(6,648)
Deposits paid for acquisition of property, plant and equipment		**—**	(19,372)
Investment in an associate		**—**	(13,500)
Acquisition of a subsidiary (net of cash acquired)	30	**(1,383)**	—
Acquisition of minority interest		**—**	(3,000)
Interest received		**902**	2,527
Net cash used in investing activities		**(60,445)**	(96,678)
Cash flows from financing activities			
New bank loans raised		**220,000**	220,000
Repayment of bank loans		**(175,000)**	(160,000)
Dividends paid		**(6,684)**	(6,684)
Capital contributions from minority shareholders		**2,720**	1,450
Dividends paid to a minority shareholder		**—**	(29)
Net cash generated from financing activities		**41,036**	54,737
Net decrease in cash and cash equivalents		**(20,755)**	(35,748)
Cash and cash equivalents at beginning of year		**93,585**	129,333
Cash and cash equivalents at end of year		**72,830**	93,585
Analysis of cash and cash equivalents:			
Bank balance and cash		**102,830**	93,585
less: Pledged deposits	24	**(30,000)**	—
		72,830	93,585

The notes on pages 39 to 80 form part of these financial statements.

(Expressed in Renminbi)

1. ORGANISATION AND OPERATIONS

The Company is a joint stock company established in the People's Republic of China ("PRC") 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 18 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. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are relevant to its operations and effective for accounting periods beginning on or after 1st January, 2005. The applicable HKFRSs are set out below and the 2004 comparatives have been restated in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenues
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations
HKAS-Int 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

The effects of the adoption of these HKFRSs on the Group's accounting policies and on amount disclosed in the financial statements are summarised as follows:

(a) HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

(b) HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 23, 27, 28, 33 and HKAS-Int 27 had no material effect on the Group's policies.

(c) HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency and presentation currency.

(d) HKAS 24 has affected the identification of related parties and the disclosure of related party transactions.

(e) HKAS 38 had no material effect on the Group's policy. The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

(f) Leasehold land and buildings held for own use (HKAS 17 – Lease)

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and accumulated impairment losses.

With adoption of HKAS 17 as from 1st January, 2005, the leasehold interest in the land and buildings as held for own use is separated into leasehold land and leasehold buildings. Leasehold land is accounted for as being held under an operating lease if the fair value of the interest in any buildings situated on the leasehold land could be separately identified from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings. Land lease prepayments under operating leases is initially stated at cost and subsequently amortised on the straight-line basis over the lease term.

As a result of the change in accounting policy, land use rights on the balance sheets as at 31st December, 2005 and comparative amount as at 31st December, 2004 have been restated to reflect the reclassification of leasehold land.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(g) Amortisation of positive and negative goodwill (HKFRS 3 – Business combinations and HKAS 36 – Impairment of assets)

In prior periods:

– positive goodwill was amortised on a straight-line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

– negative goodwill was amortised over the weighted average useful life of the depreciable/ amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the profit and loss account as those expected losses were incurred.

With effect from 1st January, 2005, in accordance with HKFRS 3 and HKAS 36, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill had been allocated exceeds its recoverable amount.

Also with effect from 1st January, 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy) after reassessment, the excess is recognised immediately in the profit and loss account as it arises.

In accordance with the transitional arrangements under HKFRS 3, on 1st January, 2005, the Group eliminated the carrying amount of accumulated amortisation with a corresponding entry to the positive goodwill, comparative amounts have not been restated and no amortisation charge for goodwill has been recognised in the profit and loss account for the year ended 31st December, 2005. This has increased the Group's profit after tax for the year ended 31st December, 2005 by approximately RMB1,274,000.

(Expressed in Renminbi)

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(h) Financial instruments (HKAS 32 – Financial Instruments: Disclosure and Presentation and HKAS39 – Financial Instruments: Recognition and Measurement)

In prior year, receivables are recognised initially at cost and subsequently provision is made to the extent the receivables are considered to be doubtful.

In accordance with HKAS 32 and HKAS 39, receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate and is recognised in the profit and loss account. The change in accounting policy has no impact on the results of the Group for the year ended 31st December, 2005.

The Group has not early adopted the following new standards or interpretations that have been issued but are not yet effective.

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1st January, 2007
HKAS 39 (Amendment)	The Fair Value Option	1st January, 2006
HKFRS 7	Financial Instruments: Disclosures	1st January, 2007
HK (IFRIC) – Int 4	Determining Whether an Arrangement Contains a Lease	1st January, 2006

The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of initial application.

3. 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 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Consolidation

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

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

All significant intercompany transactions , balances and unrealised gains on transaction between group enterprises are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provide evidence of an impairment of the asset transferred.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(c) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities assumed in a business combination are recognised at their values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss account.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or an associate recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill on acquisitions of associates is included in investments in associates.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is unit pro-rate on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or an associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(e) Property, plant and equipment

Property, plant and equipment including buildings held for use in production or supply of goods or services, or for administrative purposes, are stated at cost less accumulated depreciation and any 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 income in the period 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:

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 on the disposal or retirement 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 in the profit or loss account.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(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) Land use rights

Land use rights are stated at cost less accumulated amortisation and any impairment losses. Amortisation is provided using the straight line basis over the period of the lease term of land use rights.

(h) 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.

(i) Subsidiary

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

Investments 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Associates

An associate is an enterprise, not being a subsidiary nor an interest in a joint venture, over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are not recognised. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Where a group enterprise transacts with an associate of the Group, unrealised gains and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the assets transferred.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

(k) Impairment of assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) 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. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 less been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loess is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) 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.

(m) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) Receivables

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate provision for impairment for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The provision recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iii) Borrowings

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (note 3(t)).

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

(iv) Payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) 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.

(o) 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. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(p) Government subsidies

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities 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. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(r) Translation of foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its "functional currency"). The consolidated financial statements are expressed in Renminbi ("RMB"), which is the functional currency of the Company and each group entity, and the presentation currency for the consolidated statements.

In preparing the financial statements of the individual entities, foreign currency transactions are translated into RMB being the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(s) 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. The Group has no further payment obligations once the contributions have been paid.

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily takes a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and exclude value added tax or other sales related taxes.

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 participation agreements.

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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(v) 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 (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Judgements

In the process of applying the Group's accounting policies, management has made the judgements in relation to impairment of assets apart from those involving estimation as discussed below, which have the most significant effect on the amounts recognised in the financial statements.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may effect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year are in respect of impairment test of assets.

The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. TURNOVER

Turnover represents 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:

	2005	2004
	RMB'000	*RMB'000*
Outdoor advertisement design and production fees		
– Printed posters	**129,259**	129,125
– Signages	**20,109**	10,015
– Electronic media (LED displays)	**6,700**	2,669
– Sale of lamps for outdoor advertisement	**1,638**	4,408
Income from dissemination of outdoor and media advertisement	**149,387**	75,573
Franchise fee income	**3,741**	—
	310,834	221,790

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.

6. OTHER REVENUE

	2005	2004
	RMB'000	*RMB'000*
Interest income	**1,481**	2,640
Government subsidies *(note (a))*	**793**	1,261
Rental income *(note 31(a)(iii))*	**240**	240
Claims received from suppliers *(note (b))*	**—**	201
Others	**431**	834
	2,945	5,176

Notes:

(a) The Group 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 and new product development. The grants were computed based on 21% to 70% of business or local tax paid.

(b) Claims were received from suppliers as compensation for substandard quality of raw materials supplied to the Company.

7. PROFIT FROM OPERATIONS

	2005 RMB'000	2004 RMB'000
Profit from operations is arrived at after charging:		
Business taxes (included in cost of sales)	**9,704**	9,235
Auditors' remuneration	**734**	830
Depreciation	**37,765**	30,315
Amortisation of land use right	**115**	115
Amortisation of advertising rights	**225**	225
Amortisation of goodwill	**—**	556
Provision for bad and doubtful debts	**3,066**	1,009
Provision for obsolete inventory	**512**	41
Loss on disposal of property, plant and equipment	**93**	281
Employee benefit expenses (excluding directors' and supervisors' emoluments)		
– Salaries, bonus and allowances	**23,640**	23,764
– Retirement benefit scheme contributions	**999**	987

8. FINANCE COSTS

	2005 RMB'000	2004 RMB'000
Interest on bank loans wholly repayable within five years	**8,754**	6,162
Less: amounts capitalised	**—**	(1,001)
	8,754	5,161
Bank charges	**106**	46
Exchange loss	**346**	460
	9,206	5,667

9. 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, 2005.

9. TAXATION (Continued)

However, based upon the local income tax regulations, profits of the Company's branches at Wuhan, Guangzhou, Shenzhen and Shanghai are subject to separate assessments. 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:

	2005	2004
	RMB'000	*RMB'000*
Profit before taxation	**27,281**	23,906
Tax calculated at the statutory PRC tax rate of 33%	**9,003**	7,889
Expenses not deductible for taxation purposes	**1,597**	883
Non-taxable items	**—**	(66)
Utilisation of previously unrecognised tax loss	**(77)**	(162)
Deferred tax benefits arising from tax losses of subsidiaries not recognised	**322**	115
Exemption/reduction of income tax under preferential tax treatment	**(6,333)**	(5,137)
Underprovision in respect of prior year	**641**	—
Income tax for the year	**5,153**	3,522

The Group and the Company did not have any material unprovided deferred taxation.

10. DIVIDEND

	2005	2004
	RMB'000	*RMB'000*
Final dividend proposed of RMB0.006 per share (2004: RMB0.0081 per share)	**4,980**	6,723

On 30 July 2005, a final dividend of RMB0.0081 per share in total of RMB6,683,000 in respect of the year ended 31st December, 2004 was paid to shareholders.

In respect of the current year, the directors propose that a dividend of RMB0.006 per share will be paid to the register of members as of 15 April 2006. This dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

11. EARNINGS PER SHARE

The calculation of the earnings per share for the year ended 31st December, 2005 is based on the net profit attributable to equity shareholders of the Company of RMB19,873,000 (2004 : RMB18,478,000) and on the weighted average number of shares in issue.

12. 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:-

	2005			
	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
He Chaobing	—	278	12	290
Wang Weijie	—	229	10	239
Non-executive directors:				
He Lianyi	11	—	—	11
Ju Guanyu	5	1	—	6
Zhao Hongying	7	—	—	7
Hu Guangi	7	—	—	7
Li Huafei	14	—	—	14
Independent non-executive directors:				
Cheng Chiming	25	1	—	26
Qiao Jun	25	1	—	26
Li Yijing	25	1	—	26
Shen Jin	26	1	—	27
	145	512	22	679

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

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

	2004			
	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
He Chaobing	—	114	10	124
Wang Weijie	—	83	9	92
Non-executive directors:				
He Lianyi	—	—	—	—
Ju Guanyu	—	12	1	13
Zhao Hongying	17	—	—	17
Hu Guangi	—	—	—	—
Li Huafei	17	—	—	17
Independent non-executive directors:				
Cheng Chiming	24	—	—	24
Qiao Jun	24	—	—	24
Li Yijing	24	—	—	24
Shen Jin	29	—	—	29
	135	209	20	364

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.

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

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

	2005			
	Salaries and allowances	**Bonus**	**Retirement benefit scheme contributions**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Supervisors:				
Wang Mingmei	**71**	**9**	**—**	**80**
Liu Jianbo	**49**	**—**	**9**	**58**
Xue Guiyu	**5**	**—**	**—**	**5**
	125	**9**	**9**	**143**

	2004			
	Salaries and allowances	Bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors:				
Wang Mingmei	69	18	—	87
Liu Jianbo	50	—	9	59
Xue Guiyu	9	—	—	9
	128	18	9	155

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.

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

(c) Details of the emoluments paid to the five highest paid individuals for the year ended 31st December, 2005 included two director (2004 : one director) whose emoluments are set out above. Details of remuneration of the remaining three (2004 : four) highest paid employees during the two years ended 31st December, 2005 were as follows:-

	2005	2004
	RMB'000	RMB'000
Salaries and allowances	**477**	367
Bonus	**1**	94
Retirement benefit scheme contributions	**19**	8
	497	469

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.

13. 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.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Outdoor advertising displays	Production equipment	Furniture, fixture and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group							
Cost:							
At 1st January, 2004							
- As previously reported	14,899	683	20,651	121,934	12,829	4,902	175,898
- Reclassified to lands use rights	(5,764)	—	—	—	—	—	(5,764)
As restated	9,135	683	20,651	121,934	12,829	4,902	170,134
Additions	2,915	2,108	66,355	3,055	4,180	2,255	80,868
Transferred from contruction in progress	28,599	—	508	6,224	5,432	—	40,763
Disposals	—	(223)	—	(4)	(175)	(171)	(573)
At 31st December, 2004	40,649	2,568	87,514	131,209	22,266	6,986	291,192
Additions	954	184	23,193	3,138	1,750	1,026	30,245
Acquisition of a subsidiary	—	57	3,090	—	35	432	3,614
Disposals	—	—	(176)	(237)	(573)	(96)	(1,082)
At 31st December, 2005	**41,603**	**2,809**	**113,621**	**134,110**	**23,478**	**8,348**	**323,969**

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings	Leasehold improvements	Outdoor advertising displays	Production equipment	Furniture, fixture and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group							
Accumulated depreciation:							
At 1st January, 2004							
- As previously reported	635	238	1,778	38,552	4,524	1,155	46,882
- Reclassified to lands use rights	(135)	—	—	—	—	—	(135)
As restated	500	238	1,778	38,552	4,524	1,155	46,747
Charge for the year	839	384	8,445	16,795	2,939	913	30,315
Written back on disposal	—	(152)	—	(1)	(47)	(69)	(269)
At 31st December, 2004	1,339	470	10,223	55,346	7,416	1,999	76,793
Charge for the year	1,958	585	12,801	16,852	4,270	1,299	37,765
Acquisition of a subsidiary	—	8	—	—	(4)	15	19
Written back on disposal	—	—	(176)	(222)	(294)	(16)	(708)
At 31st December, 2005	**3,297**	**1,063**	**22,848**	**71,976**	**11,388**	**3,297**	**113,869**
Net book value:							
At 31st December, 2005	**38,306**	**1,746**	**90,773**	**62,134**	**12,090**	**5,051**	**210,100**
At 31st December, 2004	39,310	2,098	77,291	75,863	14,850	4,987	214,399

The balances in respect of leasehold buildings as at 1st January 2004 and 31st December 2004 as previously reported included the land use rights of the leasehold properties, which is now disclosed separately as "land use rights" under note 15.

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	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							
- As previously reported	14,899	683	17,918	121,934	12,675	4,902	173,011
- Reclassified to lands use rights	(5,764)	—	—	—	—	—	(5,764)
As restated	9,135	683	17,918	121,934	12,675	4,902	167,247
Additions	2,915	2,018	33,907	2,556	3,762	1,208	46,366
Transferred from construction in progress	28,599	—	508	6,224	5,432	—	40,763
Disposals	—	(223)	(3,986)	(4,983)	(331)	(171)	(9,694)
At 31st December, 2004	40,649	2,478	48,347	125,731	21,538	5,919	244,682
Additions	954	184	7,725	948	1,210	569	11,590
Disposals	—	—	(176)	(16,905)	(2,206)	(351)	(19,638)
At 31st December, 2005	**41,603**	**2,662**	**55,896**	**109,774**	**20,542**	**6,157**	**236,634**

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings	Leasehold improvements	Outdoor advertising displays	Production equipment	Furniture, fixture and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Company							
Accumulated depreciation:							
At 1st January, 2004							
- As previously reported	635	238	1,664	38,552	4,484	1,155	46,728
- Reclassified to lands use rights	(135)	—	—	—	—	—	(135)
As restated	500	238	1,664	38,552	4,484	1,155	46,593
Charge for the year	839	377	4,424	16,531	2,876	835	25,882
Written back on disposal	—	(152)	(478)	(1,765)	(74)	(70)	(2,539)
At 31st December, 2004	1,339	463	5,610	53,318	7,286	1,920	69,936
Charge for the year	1,958	548	5,272	15,246	4,039	1,020	28,083
Written back on disposal	—	—	(176)	(3,681)	(1,020)	(161)	(5,038)
At 31st December, 2005	**3,297**	**1,011**	**10,706**	**64,883**	**10,305**	**2,779**	**92,981**
Net book value:							
At 31st December, 2005	**38,306**	**1,651**	**45,190**	**44,891**	**10,237**	**3,378**	**143,653**
At 31st December, 2004	39,310	2,015	42,737	72,413	14,252	4,019	174,746

The balances in respect of leasehold buildings as at 1st January 2004 and 31st December 2004 as previously reported included the land use rights of the leasehold properties, which is now disclosed separately as "land use rights" under note 15.

15. LAND USE RIGHTS

	RMB'000
The Group and the Company	
Cost:	
At 1st January 2004	
- As previously reported	—
- Reclassified from property, plant and equipment	5,764
As restated, and at 31st December 2004 and 2005	5,764
Accumulated amortisation:	
At 1st January 2004	
- As previously reported	—
- Reclassified from property, plant and equipment	135
As restated	135
Charge for the year	115
At 31st December 2004	250
Charge for the year	115
At 31st December 2005	**365**
Net book value:	
At 31st December 2005	**5,399**
At 31 December 2004	5,514

The Group's and the Company's long-term land use rights are located in the PRC.

16. GOODWILL

The Group

	RMB'000
Cost:	
At 1st January 2004	1,342
Arising on acquisition of a subsidiary	1,587
At 31st December 2004	2,929
Elimination of amortisation accumulated prior to the adoption of HKFRS 3 *(see note 2(g))*	(281)
Transferred from interest in an associate	9,398
Arising on partial acquisition of minority interest *(note 30)*	3,473
At 31st December 2005	**15,519**
Accumulated amortisation:	
At 1st January 2004	134
Amortisation for the year	147
At 31st December 2004	281
Elimination of amortisation accumulated prior to the adoption of HKFRS 3 *(see note 2(g))*	(281)
At 31st December 2005	**—**
Carrying amount:	
At 31st December 2005	**15,519**
At 31st December 2004	2,648

In 2004, goodwill was amortised on a straight line basis over 10 years. As explained further in Note 2(a), with effect from 1 January 2005 the Group no longer amortises goodwill. In accordance with the transitional provisions set out in HKFRS 3, the accumulated amortisation of goodwill as at 1 January 2005 has been eliminated against the cost of goodwill as at that date.

16. GOODWILL (Continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Goodwill as at 31 December 2005 arose from the acquisition of three subsidiaries, all of which are engaged in the business of dissemination of outdoor advertisements and were allocated as follows:

	2005	2004
	RMB'000	*RMB'000*
Beijing Dahe Shuanglong	**1,574**	1,574
Shanghai Dahe Yasi	**1,074**	1,074
Beijing Millennium Ankang	**12,871**	—
	15,519	2,648

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs in relation to Beijing Shuanglong and Shanghai Dahe Yasi have been determined based on a value in use calculation. That calculations use cash flow projections based on financial budgets approved by management.

In respect of the CGU in relation to Beijing Millennium Ankang, the Management has obtained a valuation of the business by a firm of independent valuers in Hong Kong. In the valuation, the market approach is adopted in determining the carrying value of goodwill in relation to the acquisitions. In applying the market approach, the valuation multiplier is developed and applied to arrive at the market value of Beijing Millennium Ankang, which is then deducted from the net asset value to arrive at the value of the goodwill.

Both the recoverable amount of the goodwill relating to Beijing Shuanglong and Shanghai Dahe Yasi CGUs determined by value in use calculation and the valuation of the Beijing Millennium Ankang CGU by the valuers suggested that there was no impairment in the value of goodwill as at 31 December 2005.

17. OTHER INTANGIBLE ASSETS

Advertising rights	The Group *RMB'000*	The Company *RMB'000*
Cost:		
At 31st December, 2004 and 2005	4,500	2,000
Accumulated amortisation:		
At 1st January, 2004	379	100
Charge for the year	225	100
At 31st December, 2004	604	200
Charge for the year	225	100
At 31st December, 2005	**829**	**300**
Net book value:		
At 31st December, 2005	**3,671**	**1,700**
At 31st December, 2004	3,896	1,800

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

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2005 ***RMB'000***	2004 *RMB'000*
Capital contribution	**81,111**	49,923
Amounts due from subsidiaries	**18,983**	18,085
Amounts due to subsidiaries	**(965)**	(3,239)

(Expressed in Renminbi)

18. INTERESTS 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: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
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
Beijing Dahe Shuanglong Advertising Co., Ltd. (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. (上海大賀雅思廣告有限公司)	PRC	90%	—	—	Dissemination of outdoor advertisement
Hangzhou Ultralon Advertising Co., Ltd. (杭州歐特龍廣告有限公司)	PRC	99%	90%	10%	Dissemination of outdoor advertisement
Chengdu Ultralon Advertising Co., Ltd (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 company signages
Chongqing Dahe Basu Media Co., Ltd. (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. (四川新天杰傳媒科技發展有限責任公司)	PRC	56%	50%	10%	Dissemination of outdoor and media advertisement

(Expressed in Renminbi)

18. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activity
Chongqing Dahe Digital Printing Co., Ltd. (重慶大賀數碼噴繪有限公司)	PRC	85%	85%	—	Design, printing and production of outdoor advertising products
Beijing Millenium Ankang International Media Co. Ltd. ("Beijing Millenium Ankang") (北京千禧安康國際傳媒廣告有限公司) *(a)*	PRC	51%	51%	—	Design, production, dissemination of advertisements on and franchising of the "Ankang Advertising Board"
Nanjing Dahe Color Printing Co., Ltd. ("Dahe Printing") (南京大賀彩色印刷有限公司) *(b)*	PRC	90%	90%	—	Design, printing and production of posters
Shanghai Dahe Daxi Advertising & Media Co., Ltd. ("Dahe Daxi") (上海大賀大喜廣告傳媒有限公司)*(c)*	PRC	55.85%	50%	10%	Design and production of exhibition booth
Nanjing Jinxin Media Co., Ltd. ("Nanjing Jinxin") (南京金鑫傳媒有限公司)*(d)*	PRC	72%	—	80%	Dissemination of media advertisement

Notes:-

(a) On 20th January, 2005, the Company acquired additional 15% equity interest in Beijing Millenium Ankang at a cash consideration of RMB3,150,000 resulting in Beijing Millenium Ankang becoming a subsidiary of the Company (note 19).

(b) On 22nd June, 2005, the Company contributed cash and production equipment of RMB3,300,000 and approximately RMB14,338,000 respectively for the establishment of Dahe Printing, a limited liability company with registered capital of RMB20,000,000, representing 90% equity interest in Dahe Printing.

(c) On 16th September 2005, the Company and its subsidiary, Shanghai Daxi contributed RMB400,000 and RMB80,000 respectively for the establishment of Dahe Daxi, a limited company with registered capital of RMB800,000, representing effective equity interest of 55.85% in Dahe Daxi.

(d) On 2nd December 2005, a subsidiary of the Company, Nanjing Ultralon contributed cash of RMB1,600,000 for the establishment of Nanjing Jinxin, a limited liability company with registered capital of RMB2,000,000, representing an effective equity interest of 72% in Nanjing Jinxin.

19. INTEREST IN AN ASSOCIATE

	The Group		The Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*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	Form of business Structure	Place of incorporation and operation	Proportion of direct ownership interest	Principal activity
Beijing Millenium Ankang *(note 18(a))*	Limited liability company	PRC	36%	Design, production and dissemination of advertisements on and franchising of the "Ankang Advertising Board"

20. FINANCE LEASE RECEIVABLES

The Group

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts receivable under finance leases:				
Within one year	**—**	430	**—**	257
In the second to fifth years inclusive	**—**	150	**—**	88
	—	580	**—**	345
Less:				
Unearned finance income	**—**	235		
Present value of minimum lease receivables	**—**	345		
Less:				
Amount due for settlement within 12 months (shown under current assets)			**—**	256
Amount due for settlement after 12 months			**—**	89

The Group entered into an arrangement with a franchisee leasing one production equipment to the franchisee under a finance lease. The lessee was required to pay fixed monthly rental over the lease term of five years. Upon completion of the lease term, the franchisee had the option to purchase the equipment at the consideration of RMB1. During the year, the finance lease receivable were fully provided for.

21. INVENTORIES

	The Group		The Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Inventories comprises:				
Raw materials	**7,869**	7,441	**5,948**	6,787
Work in progress	**1,340**	2,021	**1,340**	1,894
Finished goods	**2,871**	1,748	**2,871**	1,610
	12,080	11,210	**10,159**	10,291

22. TRADE AND NOTE RECEIVABLES

The aged analysis of trade and note receivables at the balance sheet dates is as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**21,711**	15,219	**13,733**	10,956
Between 2 to 3 months	**17,380**	7,530	**8,594**	5,372
Between 4 to 6 months	**14,240**	3,917	**10,504**	3,858
Between 7 to 12 months	**5,762**	2,663	**4,579**	2,661
Between 1 to 2 years	**2,434**	1,403	**1,924**	1,400
Between 2 to 3 years	**866**	463	**817**	459
	62,393	31,195	**40,151**	24,706

A provision has been made for estimated irrecoverable amounts from the sale of goods and services of approximately RMB3,817,000 (2004: RMB1,730,000).

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other receivables	**23,535**	10,451	**22,824**	9,823
Deposits	**16,495**	23,120	**5,752**	7,735
Prepayments	**24,276**	21,503	**13,562**	9,306
	64,306	55,074	**42,138**	26,864

The amount of prepayments of the Group and the Company expected to be utilised after more than one year were approximately RMB5,114,000 (2004: RMB7,410,000) and RMB730,000 (2004: RMB1,725,000) respectively. All the other receivables, deposits and prepayments are expected to be recovered within one year.

24. BANK BALANCES AND CASH

Bank balances of RMB30,000,000 as at 31st December, 2005 was pledged to a bank to secure the note payables (note 25).

25. BANK BORROWINGS

	2005	2004
	RMB'000	*RMB'000*
Bank loans	**136,000**	135,000
Notes payables	**44,000**	—
	180,000	135,000
The borrowings are repayable as follows:		
On demand or within one year	**155,000**	135,000
In the second year	**25,000**	—
	180,000	135,000
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(155,000)**	(135,000)
Amount due for settlement after 12 months	**25,000**	—

All the Group's borrowings are denominated in RMB. Bank loans in total of RMB55,000,000 (2004 : RMB10,000,000) were secured by corporate guarantees from the holding company and the remaining bank loans are unsecured.

Notes payable were issued with terms of 6 months and are secured by charges over the Group's bank balance of RMB30,000,000.

The average interest rates paid in respect of bank loans was 6.05% (2004: 5.73%).

26. TRADE PAYABLES

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

	The Group		The Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**6,007**	6,573	**1,961**	5,909
Between 2 to 3 months	**4,034**	1,720	**1,369**	1,451
Between 4 to 6 months	**1,876**	1,132	**1,118**	1,107
Between 7 to 12 months	**538**	796	**442**	633
Between 1 to 2 years	**1,080**	551	**1,053**	551
	13,535	10,772	**5,943**	9,651

Trade payables principally comprise amounts outstanding for trade purchases.

27. OTHER TAX PAYABLES

	The Group		The Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other tax payables comprises:				
Business taxes	**1,329**	1,028	**663**	687
Value added taxes	**750**	495	**696**	204
City construction taxes	**100**	79	**51**	35
Others	**163**	28	**(5)**	—
	2,342	1,630	**1,405**	926

28. SHARE CAPITAL

	Number of shares	Amount
	'000	*RMB'000*
Registered, issued and fully paid:		
Total domestic shares and H shares of RMB0.1 each at 31st December, 2004 and 2005	830,000	83,000

28. SHARE CAPITAL (Continued)

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.

29. RESERVES

		PRC Statutory funds			
	Share premium	Statutory surplus reserve	Staff welfare reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(note 29(i))	*(note 29(ii))*		
The Company					
At 1st January, 2004	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
Dividend declared and paid	—	—	—	6,683	6,683
Net profit for the year	—	—	—	17,844	17,844
Transfer	—	1,893	946	(2,839)	—
At 31st December, 2005	**95,745**	**9,796**	**4,898**	**62,657**	**173,096**

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.

29. RESERVES (Continued)

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.

30. ACQUISITION OF SUBSIDIARY

On 20th January 2005, the Group acquired an additional 15% of the equity interest in Beijing Millenium Ankang at a cash consideration of RMB3,150,000, increasing the Group's shareholding in Beijing Millenium Ankang from 36% to 51%. Accordingly, Beijing Millenium Ankang became a subsidiary and was consolidated to the Group.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	RMB'000
Net assets acquired:	
Property, plant and equipment	4,087
Trade and other receivables	64
Bank and cash balances	1,767
Trade and other payables	(6,423)
Minority interest	182
	(323)
Goodwill	3,473
Total consideration, satisfied by cash	3,150
Net cash outflow arising on acquisition:	
Cash consideration	(3,150)
Bank balances and cash acquired	1,767
	(1,383)

The goodwill arising on the acquisition of Beijing Millenium Ankang is attributable to the anticipated profitability of the anticipated future operating synergies from the combination.

Beijing Millenium Ankang contributed approximately RMB4,112,790 of revenue and RMB1,057,304 of profit before taxation for the period between the date of acquisition and the balance sheet date.

31. RELATED PARTIES TRANSACTIONS

(a) During the two years ended 31st December, 2005, the Group entered into the following material transactions with related parties:

	Note	2005 RMB'000	2004 RMB'000
Holding company			
Sales made	(i)	**192**	349
Fellow subsidiaries			
Sales made	(ii)	**5,298**	434
Rentals received	(iii)	**240**	240
Construction of advertising displays paid	(iv)	**2,001**	9,994
Related company			
Purchases made	(v)	**—**	1,951
Associate			
Sales made	(vi)	**—**	3,500

Notes:

(i) Sales made to Dahe International were in respect of outdoor advertisement and electronic media devices production services provided at market prices.

(ii) 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., Ltd. (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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) Sales were made to Beijing Millenium Ankang in respect of light boxes for use in outdoor advertisement. The selling price was determined based on market price.

31. RELATED PARTIES TRANSACTIONS (Continued)

(b) The remuneration of directors and other members of key management during the year was as follows:

	2005 *RMB'000*	2004 *RMB'000*
Short term benefits	**1,138**	647

(c) The amount due from holding company is unsecured, interest free and repayable on demand.

(d) Majority of the balance at 31st December, 2005 represented an amount due from Nanjing Dahe Decoration of approximately RMB 26,329,000 (2004:RMB12,460,000) and an amount due from a minority shareholder, Chongqing Basu Art and Media Co ("Basu Art") of approximately RMB13,125,000 (2004 : RMB10,720,000). Included in the balance due from Nanjing Dahe Decoration were deposits paid for the construction of advertising displays of approximately RMB 23,102,000 (2004: RMB9,372,000). The balance due from Basu Art included a prepayment in the amount of approximately RMB 10,466,000 (2004: RMB10,000,000) for the acquisition of outdoor advertising space, details of which was disclosed in the Company's announcement dated 14th October 2004.

(e) The balance represented an amount due to Fule Nanjing of approximately of RMB232,000 (2004: RMB231,000) arising from purchases of lamps from Fule Nanjing as disclosed in note (a)(v) above and amounts in total of RMB1,900,000 (2004: Nil) due to minority shareholders, which are interest free, unsecured and have no fixed repayment terms.

32. OPERATING LEASE ARRANGEMENTS

As a lessee

	2005		2004	
	Land and buildings ***RMB'000***	**Advertising rights** ***RMB'000***	Land and buildings *RMB'000*	Advertising rights *RMB'000*
Minimum lease payment paid under operating leases	**4,181**	**37,311**	4,204	15,742

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

	2005		2004	
	Land and buildings ***RMB'000***	**Advertising rights** ***RMB'000***	Land and buildings *RMB'000*	Advertising rights *RMB'000*
Within one year	**2,508**	**14,515**	2,743	12,072
In the second to fifth years inclusive	**3,566**	**32,439**	4,571	42,832
After five years	**—**	**13,154**	12	26,777
	6,074	**60,108**	7,326	81,681

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.

32. OPERATING LEASE ARRANGEMENTS (Continued)

As a lessor

	2005		2004	
	Land and buildings ***RMB'000***	**Advertising sites** ***RMB'000***	Land and buildings *RMB'000*	Advertising sites *RMB'000*
Minimum lease income received under operating leases	**240**	**106,685**	240	75,573

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

	2005		2004	
	Land and buildings ***RMB'000***	**Advertising sites** ***RMB'000***	Land and buildings *RMB'000*	Advertising sites *RMB'000*
Within one year	**240**	**34,563**	240	21,369
In the second to fifth years inclusive	**240**	**13,847**	480	16,526
After five years	**—**	**32**	—	1,616
	480	**48,442**	720	39,511

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 31(a)(iii) 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.

33. COMMITMENTS

At 31st December, 2005, the Group had commitments contracted but not provided for in respect of payment for obtaining a media advertising right of approximately RMB98,900,000 (2004: RMBNil).

34. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risks and currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

(a) Credit risk

The Group's principal financial assets are bank balances and cash and trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The Group and the Company allow an average credit period of 30 to 360 days to their trade customers. The amounts presented in the balance sheet are net of provisions for doubtful receivables. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

(b) Liquidity risk

The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

(c) Fair value and cash flow interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. At the year end, all long-term borrowings were at fixed rates.

(d) Foreign exchange risk

The Group's main operations are in the PRC and has no significant exposure to any specific foreign currency other than RMB.

(e) Fair values estimation

The fair value of interest-bearing bank borrowings is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The directors consider all financial instruments are carried at amounts not materially different from their fair values as at 31st December, 2005.

The following is a summary of the consolidated results and of the assets and liabilities of the Group, prepared on the basis set out in Notes 1 to 2 below:

RESULTS

	Year ended 31st December				
	2005	2004	2003	2002	2001
	RMB	*RMB*	*RMB*	*HK$*	*HK$*
	(000)	*(000)*	*(000)*	*(000)*	*(000)*
TURNOVER	**310,834**	221,790	166,464	158,644	98,114
Cost of sales	**(219,471)**	(152,118)	(104,819)	(93,957)	(64,891)
Gross profit	**91,363**	69,672	61,645	65,047	33,223
Other revenue	**2,945**	5,176	5,884	3,501	106
Distribution and selling costs	**(25,541)**	(20,658)	(17,334)	(21,025)	(6,717)
Administrative expenses	**(32,280)**	(24,242)	(16,256)	(16,149)	(6,937)
Finance costs	**(9,206)**	(5,667)	(3,079)	(1,600)	(334)
Share of results of an associate	**—**	(375)	—	—	—
PROFIT BEFORE TAXATION	**27,281**	23,906	30,860	29,774	19,341
Income Tax	**(5,153)**	(3,522)	(6,366)	(103)	(19)
PROFIT FOR THE YEAR	**22,128**	20,384	24,494	29,671	19,322
ATTRIBUTABLE TO:					
Equity holders of the Company	**19,873**	18,478	24,500	29,687	19,322
Minority interest	**2,255**	1,906	(6)	(16)	—
	22,128	20,384	24,494	29,671	19,322

ASSETS AND LIABILITIES

	Year ended 31st December				
	2005	2004	2003	2002	2001
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
	(000)	*(000)*	*(000)*	*(000)*	*(000)*
Non-current assets	**234,689**	238,770	167,121	140,477	107,254
Current assets	**286,806**	214,500	173,143	47,552	30,717
Current liabilities	**(204,828)**	(179,173)	(103,847)	(39,512)	(73,533)
Net current assets/(liabilities)	**81,978**	35,327	69,296	8,040	(42,816)
Non-current liabilities	**(25,400)**	(995)	(1,200)	(52,667)	—
Net assets	**291,267**	273,102	235,217	95,850	64,438

Notes:

1. Due to the adoption of new and revised HKFRSs during the current year as further explained in Note 2 to the financial statements, the accounting treatment and presentation of certain items and balances of the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts for the year ended 31 December 2004 has been reclassified to conform with the current year's presentation and accounting treatment.

2. The consolidated balance sheets as at 31st December 2002 and 2001 are extracted from the prospectus of the Company dated 31st October, 2003. The consolidated balance sheet as at 31st December 2003 is extracted from the published annual report for the year ended 31st December, 2003. The consolidated balance sheets of the Group as at 31st December, 2005 and 2004 are as set out on pages 32 to 33 of the annual report.