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)

2006
Annual Report

* For identification purposes only

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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.

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BOARD OF DIRECTORS

Executive directors
HE Chaobing
WANG Weijie

Non-executive directors
LI Huafei
CHAN E Nam Viveca
Xu Xiang
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
Tam Chi Wan

AUTHORISED REPRESENTATIVES
HE Chaobing
WANG Weijie

COMPLIANCE OFFICER
HE Chaobing

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Horwath Hong Kong CPA Limited

HONG KONG LEGAL ADVISER
Gallant Ho

PRINCIPAL BANKERS
China Agricultural Bank
Xinjiekou Branch

HONG KONG SHARE REGISTRAR
Computershare Hong Kong Investor Services Limited
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STOCK CODE
8243

Financial Highlights and Calendar

For the year ended 31st December, 2006
(Expressed in Renminbi)

	2006	2005
	RMB'000	*RMB'000*
Revenue		
Turnover	**388,526**	310,834
Profitability		
Profit from operations	**35,363**	36,487
Profit attributable to shareholders	**19,001**	19,873
Net Worth		
Shareholders' funds	**272,845**	258,641
Per share		
Basic earnings per share (RMB)	**2.3 cents**	2.4 cents
Net assets per share	**32.87 cents**	31.2 cents

FINANCIAL CALENDAR

Results for the year	Announcement on 30th March, 2007
Annual report	Dispatched to shareholders in late March 2007
Annual general meeting	21st May, 2007

Chairman's Statement

Dear Sirs,

On behalf of the Board of Directors (the "Board") of Dahe Media Co., Ltd. (the "Company"), I am pleased to present to our shareholders the annual report of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2006.

BUSINESS REVIEW

In 2006, the Group's business in media production and dissemination continued to perform well. Operating income of the Group for the year was RMB388,526,000, representing an increase of 25% over the same period last year. Profits attributable to shareholders was approximately RMB19,001,000.

During the period under review, media dissemination remained the core business of the Group. Operating income from the business was RMB245,264,000 (2005: RMB153,128,000), accounting for 63% (2005: 49%) of the total income. Compared with the previous three years, the Group reduced the pace of massive expansion in the acquisition of advertising media space. On the foundation of 200,000 square metres of advertising media resources already owned by the Group, we focused on strengthening the sale and promotion of media positions to boost profit margin of sales. According to estimates, the dissemination rate of the Group's media reached 70% as at 31st December, 2006. During the period, operating income from the media production business was RMB143,262,000 (2005: RMB157,706,000), accounting for 36.87% (2005: 48.58%) of the total income.

There was a breakthrough in the progress of the "Enkon" project operated by the Group in 2006. In accordance with the characteristics of the project, the Group had organized numerous specific seminars participated by experts and major clients in the industry and accurately positioned the media as a "public media network platform focusing on information on purchasing guiding on sales places", with medium and high end communities and economic circles as its major scope of coverage. The pattern of the advertising column re-designed by us received three state patent numbers. The remarkable change was the addition of a LED display for purchase guiding on the basis of the original advertising column to complement the light box. This resulted in innovative transformation from media form innovation to communication and marketing, thus creating a new "fast communication to home (傳播快到家) " media featuring speediness, interaction, audience share and time share and establishing its market position of being the top community media in the PRC.

With the adoption of technologies such as wireless transmission and developed information dissemination software platforms, it takes only a few minutes from the release of information by customers to dissemination on the LED displays. Besides, regardless of locations, specific information can be disseminated to designated columns in any regions. Therefore, speediness is the biggest feature of Enkon media. Accordingly, we call the media "Enkon Quick Show". Successful positioning had resulted in remarkable business performances. During the period under review, the Group entered into various cooperative agreements with many important customers, which included Suning Appliance, Best Buy (Five Star Appliance Group), Guangdong Hua Wang Group, Jiangsu Broadcasting Corporation City Channel, Jiangsu Communications Broadcasting Network. The "Enkon Quick Show" project was also accredited as the "Media with the Greatest Investment Value in China" in the competition organized by the Stan International Media Research Centre under the Academic Committee of China Media Forum (中國傳媒論壇學術委員會史坦國際傳媒研究中心). Currently, Beijing Millennium Enkon International Media Co., Ltd, a subsidiary of the Group, has set up branches in the four cities of Beijing, Nanjing, Shanghai and Guangzhou. The installation number of "Enkon Quick Show" amounted to 2,200, hence a media network of substantial scale is taking shape.

STRATEGICALLY RESTRUCTURING

Given the sustained rapid development of the economy in China and increasing brand awareness, the prospects for the development of the China advertising industry is very optimistic. In particular, the 2008 Olympic Games will soon be held in Beijing bringing more business opportunities to the industry. To better grasp the development opportunities, the Group is also actively seeking solutions to tackle the ever changing market with a view to consolidating its existing operations and exploring new markets. Therefore, the Group plans to:

- restructure the original outdoors media group and the dissemination production group to establish the Dahe Operation Group which will be headquartered in Shanghai, the most dynamic city in China in terms of economic activities;
- accept the resignation of Mr. Huang Chengfa as COO and appoint Ms. Zhou Beibei as COO of the Group;
- strengthen management control on branches and provide guidance for subsidiaries. In 2007 the focus will be on the implementation of internal control and appraisal system to raise operating efficiencies of various operating units;
- focus on leveraging our competitive advantage, select major cities to exert efforts in the promotion of "Enkon Quick Show" to build a network, striving to become the community media with the widest coverage in specific regions.

PROSPECTS AND OUTLOOK

On the basis of the group consolidating its existing businesses, we shall clarify our market positioning as an outdoor media operator, actively develop outdoor media new businesses, in particular the "Enkon Quick Show" project operated by the Group. Through exploration and implementation in past few years, the Group believes without doubt that the project will become a national public media network platform with unique features focusing on information on purchase guiding at sales places. The promotion of "Enkon Quick Show" media not only fuels continuous development of the Group's businesses, but will also have great impacts on the manner of advertisements dissemination in China.

The 2008 Olympic Games and the 2010 Shanghai World Expo will be a strong driving force for the outdoor advertising market. The Group will take full advantage of its own abundant media resources, accelerate the installation of Ankang media and actively communicate with major clients to grasp the business opportunities brought about by the Olympic Games. The production business will continue to focus on enhancing end production, end experience and end service operations so as to continually explore new growth opportunities. The unified management of the media group and the production group will be favourable to the close integration of internal resources so as to provide faster and more convenient nationwide dissemination and production services for clients.

The prosperous China economy will continue to be a steady source of advertisement revenue. The Group will focus its efforts on outdoor advertising, to create the top Chinese brand in community media so as to bring better return from operations. The management believes that through innovative development in media businesses, the Group will enjoy continuous steady development in the foreseeable future.

ACKNOWLEDGMENT

Finally, I would like to take this opportunity to thank shareholders of the Group and business associates for their generous support and encouragement, and would also like to express heartfelt thanks and gratitude to all the Directors and employees of the Group for their hard work and contributions.

He Chaobing
Chairman

Nanjing, 30th March, 2007

FINANCIAL REVIEW

The following discussion and analysis regarding the Group's financial and operation situation should be read in conjunction with the Group's consolidated financial statements and the related notes.

BUSINESS OVERREVIEW

As at 31st December, 2006, the Group's turnover was approximately RMB388,530,000 (2005: RMB310,830,000), up approximately 24.99% from the corresponding period last year. During the period, net profit was approximately RMB19,000,000 (2005: RMB19,870,000), a decrease of approximately 4.38% from the corresponding period last year. Basic earnings per share were approximately RMB2.3 cents (2005: RMB2.4 cents).

The decrease in net profit during the period from the corresponding period last year was mainly due to the fact that with the rapid development of the Group's principal operations, individual subsidiaries failed to keep pace with the Group in rapid transformation and adjustment to the operation concept and method. Besides, they failed to strictly implement the Group's regulations and systems in their management. In 2006, Chongqing Dahe Bashu Media Co., Ltd., a subsidiary of the Group, incurred a greater loss because of poor management, which directly led to the reduction in the Group's profit during the period of RMB5,500,000, a decrease of 250% from the corresponding period last year.

The management of the Group has placed much emphasis on this issue and implemented various measures in order to minimize losses and safeguard the interests of investors. In addition, the management of the Group also adjusted to the management model of all other subsidiaries so as to ensure no similar events will occur again.

Media production business

The media production business of the Group continued to maintain its leading position in the industry. During the period, sales of this segment achieved RMB143,260,000 (2005: RMB151,010,000), down 9.10% from the same period last year. As the overall printed posters market became saturated, the Group adjusted its operation strategy and successfully completed the transformation from pure large outdoor posters production to comprehensive end construction and defined the core market positioning as "outdoor advertising production + end promotion". In the end realm, we achieved a breakthrough in securing three $10 million-grade new clients in 2006. The end business of Nike (耐克) achieved RMB14 million in 2006. The business cooperation between Wang Lao Ji (王老吉) and Chery also achieved approximately RMB10 million. In the second quarter of the year, various major international and domestic clients showed their intention to cooperate with us in end service products. We started rendering services to P&G, Wal-Mart, Shell (殼牌), Midea and BP and expected to achieve a breakthrough in securing more $10 million-grade clients in 2007. The successful transformation from printing to end production business the client structure and also further establish leading edges of Dahe production contributed to leverage and created a new contribution model.

Media dissemination business

During the period, sales derived from the media dissemination business of the Group was RMB245,260,000 (2005: RMB153,130,000), up 60.17% from the same period last year. While consolidating its existing operations, the Group has made positive efforts to develop relevant new business and extended the business coverage to event planning. During the period under review, the Group successfully organized two large outdoor advertising events. In July, the Group planned and organized the Master Kang F.I.R Fans Club (康師傅 F.I.R 歌友會) in Shanghai, Nanjing and Wuxi. In September, the Group planned the china Nanjing World Historical and Cultural Cities Expo (中國南京世界歷史文化名城博覽會) and organized the 100-Wedding Couple Event (百對新人婚典活動) in Nanjing. The successful planning and organization of the events has increased the exposure of the Group. It was beneficial exploration and experience accumulation for the Group in strategic media market expansion.

The “Enkon Quick Show” project which was the key project undertaken by the Group in 2006, had made exciting changes, and through the organization of various seminars attended be experts in the industry, has been clearly positioned as the “public media network platform focusing on information on selling place purchase guiding”. Besides, branches have been established in the four cities of Beijing, Shanghai, Guangzhou and Nanjing occupying almost 50% of the China outdoor advertising market and more than 2,200 media have been installed so far. Media sales have demonstrated a strong momentum. Apart from the 1,700 “Ankang Advertising Boards” already installed which have been exclusively sold, “Ankang Classified Express” installed in places such as Nanjing are well-received by clients. Famous enterprises such as Suning Appliance and Best Buy (Five Star Appliance Group) have become clients for advertisement dissemination. In 2007, the Group will increase investments in the project in major cities to rapidly establish a regional media network.

Internal construction

During the period, the Group strengthened internal management and team building and specially engaged a professional consultancy to conduct a comprehensive survey and diagnosis on the Group in the aspects of strategy, organizational structure, human resource management and investment risk management, summarized the problems and made timely adjustments to provide professional advice to the Group on overall strategic planning. Recently, the Group was active in implementing operating result evaluation which fully encourages staff to create greater value for shareholders. The Group has put forward the strategic thinking for 2007 of “wisdom creates wealth, regulation consolidates foundation” to continually enhance staff quality and recognition of the enterprise through activities such as on-the-job training and special post training as well as strengthening the efforts in appraisal and auditing.

DIVIDEND

In view of the decline of the results during the period and the needs for the exploration and development of new projects, the Board does not recommend the distribution of a final dividend for the year ended 31st December, 2006.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

During the period, Nanjing Ultralon Investment Management Co., Ltd., a non-wholly owned subsidiary of the Group, disposed of its equity in Nanjing Jinxin Media Co., Ltd. to an independent third party. The Group has ceased to consolidate the interests of Nanjing Jinxin Media Co., Ltd. since 1st October, 2006. The disposal will not cause any malerial adverse impact to the operation and financial situations of the Group.

FUTURE SIGNIFICANT INVESTMENT PLANS AND EXPECTED SOURCE OF FUNDS

The Group will continue to integrate the existing operations.

At same time identify new business opportunities that can supplement and strengthen the existing operations. As of 31st December, 2006, the Group has been considering a number of investment projects and choices, but has not set up any actual plans in respect of such projects.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2006, trade and other payables increased to RMB28,400,000 from RMB25,110,000 in 2005. Trade and other receivables increased to RMB150,520,000 from RMB126,700,000 in 2005.

As at 31st December, 2006, bank balance and cash held by the Group amounted to RMB112,570,000; bank loans and other loans of the Group amounted to RMB175,000,000. Debt-Equity Ratio was 0.64, being the percentage of bank loans over net assets of RMB272,840,000.

Profits attributable to shareholders was RMB19,000,000, a decrease of 4.38% as compared with RMB19,870,000 for the last year.

SALES, GENERAL AND ADMINISTRATIVE EXPENSES

In 2006, sales, general and administrative expenses were approximately RMB68,260,000. In 2005, it was approximately RMB58,170,000.

FINANCE COST

In 2006, finance cost was approximately RMB11,560,000. In 2005, it was approximately RMB8,860,000.

TAXATION

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 2006 was 15%. Income tax for 2006 was approximately RMB6,620,000, and in 2005 it was approximately RMB5,150,000.

MINORITY INTERESTS

As at 31st December, 2006, minority interests amounted to RMB33,750,000. In 2005, it was approximately RMB32,630,000.

FOREIGN EXCHANGE RISKS

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

ASSETS

During the period under review, the net current assets of the Group were approximately RMB89,450,000, and net assets were approximately RMB272,850,000. In 2005, they were RMB81,980,000 and RMB258,640,000 respectively.

EMPLOYEES

As at 31st December, 2006, the Group has a total of 1,430 full-time staff. The remuneration paid to employees is in line with market rate. During the year, the Group regularly provided training and development programs to the staff.

The Group had not experienced any major labor disputes or significant changes in the number of staff causing any impact to its normal business operations. The Directors considered that the relationship between the Group and its employees was good.

CONTINGENT LIABILITIES

As at 31st December, 2006, the Group had no material contingent liabilities.

Report of the Directors

The Directors present their annual report together with the Group's audited financial statements for the year ended 31st December, 2006.

PRINCIPAL ACTIVITY

The Group is principally engaged in the dissemination of outdoor advertisement through its self-owned outdoor advertising space and by renting outdoor advertising space and the design, printing and production of outdoor advertising products. The principal activities of the subsidiaries are set out in note 19 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 presented.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 29.

The Directors do not recommend distribution of a final dividend for the year ended 31st December, 2006.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest customer and the five largest customers accounted for approximately 3.35% and 13% respectively of the Group's turnover.

During the period under review, the Group's largest supplier and five largest suppliers accounted for approximately 8% and 18% 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 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 during the year are set out in note 18 to the financial statements.

SUBSIDIARIES

Particulars of the subsidiaries of the Group are set out in note 19 to the financial statements.

BANK LOANS

Particulars of bank loans of the Group are set out in note 24 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 are set out in note 27 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 28 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31st December, 2006, the reserves of the Company available for cash distribution or distribution in specie amounted to approximately RMB190,622,000.

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

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

LI Huafei	
HE Lianyi	
HU Guangli	(resigned on 30th June, 2006)
XU Xiang	(appointed on 1st July, 2006)
CHAN E Nam Viveca	(appointed on 1st January, 2006)

Independent non-executive directors

QIAO Jun
CHENG Zhiming
LI Yijing
SHEN Jin

Particulars of Directors and senior management

Details of biographies of the Company's Directors and the senior management of the Group are set out in page 19 to page 21 of this annual report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' and Supervisors' emoluments and those of the five highest paid individuals in the Group are set out in note 12 to the financial statements.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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 from 1st January 2006 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.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 12 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 SUPERVISORS' 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, 2006.

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

As at 31st December, 2006, 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 or 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)*	**Company/ name of associated corporation**	**Capacity**	**Number of class of securities** *(note 2)*	**Approximate percentage of shareholding in the relevant class of securities**
He Chaobing	Company	Interest of a controlled corporation *(note 3)*	405,200,000 domestic shares of RMB0.10 each (L)	69.86%
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, 2006 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 or 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 OTHER PARTIES HOLDING INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

A. SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2006, 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 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 long position 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 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, 2006, 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 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)*
Yan Jian	Beneficial owner	71,800,000 domestic shares of RMB0.10 each (L)	12.37%	8.66%
南京市國有資產投資管理控股（集團）有限責任公司	Beneficial owner	50,000,000 domestic shares of RMB0.10 each (L)	8.62%	6.02%
Nanjing Productivity Enhancement Centre	Interest of a controlled corporation *(note 2)*	50,000,000 domestic shares of RMB0.10 each (L)	8.62%	6.02%
南京市浦口區晨威油墨廠	Beneficial owner	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%

Notes:

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

2. 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 南京市國有資產投資管理控股（集團）有限責任公司.

3. 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 30th September, 2006 in the register required to be kept under section 336 of the SFO.

CONNECTED TRANSACTIONS

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

Waivers in respect of ongoing connected transactions expired on 31st December, 2005. The Group had applied for and have obtained waivers for the period from 1st January, 2006 to 31st December, 2008.

SPONSOR'S INTEREST

As at 31st December, 2005, upon the expiry of the service contract, Guotai Junan Capital Limited was no longer the sponsor of the Company. The Company has no sponsor since 1st January, 2006, hence no additional disclosure is required.

AUDIT COMMITTEE

The Audit Committee has reviewed the annual results of the Group for the year ended 31st December, 2006, and pursuant to which provided its opinions and proposals.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 22 to 27 of the annual report.

AUDITOR

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
30th March, 2007

Report of Supervisors

TO ALL SHAREHOLDERS,

In compliance with the relevant provisions and requirements of the Company Law and the Articles of Association, the Supervisory Committee of Dahe Media Co., Ltd. (the "Supervisory Committee") discharged its relevant duties in 2006. The Supervisors attended all Board meetings, reviewed the relevant financial statements of the Company, and gave opinions and proposals on the problems reflected in the Company's operation management.

The Supervisory Committee made supervisions on the discharge of corporate duties by the Directors and senior management in compliance with the laws and regulations of the State and the Company's Articles of Association. The Supervisory Committee considers that none of the Directors and managers have been discovered to be in violation of the laws, regulations of the State and the Company's Articles of Association in 2006.

The Supervisory Committee considers that resolutions of the Board meetings held in 2006 have better protected the interests of the Company, and the audit reports issued by Horwath Hong Kong CPA Limited truly, objectively and accurately reflected the Company's financial situations.

The Supervisory Committee is satisfied with the various tasks accomplished and progress of the Company in 2006, and is confident about the prospects of the Company's future developments.

By Order of the Supervisory Committee

Wan Mingmei
Chairman

Nanjing, the PRC,
28th March, 2007

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. He Chaobing (賀超兵先生), aged 47, senior economist. He graduated from the School of Business 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), 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 37, 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 (南京蘇寧實業有限公司), 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 (南京市高新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 56, 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. Xu Xiang (徐翔先生), aged 29, graduated from the Southeast University in 2000. He is currently a non-executive Director of Dahe Group, and is the deputy head of the investment management division of the Nanjing SVT Group (南京斯威特集團). He has been the manager of the investment division of Jiangsu Nanda Venture Capital Co., Ltd.

Ms. Chan E Nam Viveca (陳一枏), aged 52, 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 45, 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 (南京財經大學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), deputy 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 (江蘇省生產學會秘書長), editor of the China Advertising Magazine (「中國廣告」雜誌), member of the 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 45. Mr. Cheng graduated from Nanjing University with a doctorate degree in 1998. He is currently an independent non-executive Director of Dahe Group and a professor of the Faculty of International Business of Nanjing University.

Mr. Li Yijing (李一敬先生), aged 76, 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 49. He obtained a master degree in arts 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 58, is a representative nominated by the Shareholders on the Supervisory Committee. Ms. Wang joined Dahe Group in 1994 and held various positions including the deputy managing director of Dahe Group. Ms. Wang is currently the director of the audit division of Dahe Group.

Mr. Liu Jianbo (劉建波先生), aged 35, 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 of the investment banking division 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 47, is a representative nominated by the employees of the Group on the Supervisory Committee. Mr. Xue worked in a manufacturing company in Nanjing for over 10 years. Mr. Xue joined the Company in 2000.

SENIOR MANAGEMENT

Mr. Yang Jianliang (楊建良先生), aged 41, a Canadian Chinese, graduated from the Faculty of Science 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 Science 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 has been responsible for the Group's strategy and investment since 2006.

Mr. Qin Chao (秦超先生), aged 53, 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).

Ms. Zhou Beibei (周蓓蓓女士), aged 30, graduated from the Shanghai University majoring in advertising studies and is currently attending the EMBA programme at the School of Business, Fudan University. She is currently COO of the Group. She has been deputy general manager of 嘉寶廣告有限公司, deputy general manager of 江蘇通力廣告有限公司 , and the controller of the customer service center of Dahe Media.

Report of Corporate Governance

(A) CORPORATE GOVERNANCE PRACTICE

Since 1st January, 2005, The 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, 2006.

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:

LI Huafei	
HE Lianyi	
HU Guangli	(retired on 31st May, 2006)
XU Xiang	(appointed on 1st June, 2006)
CHAN E Nam, Viveca	(appointed on 1st January, 2006)

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, 2006
Directors:		
HE Chaobing *(Chairman)*		7/7
WANG Weijie *(Chief Executive Officer)*		7/7
Non-executive directors:		
CHAN E Nam, Viveca	(appointed on 1st January, 2006)	6/7
LI Huafei		7/7
HU Guangli	(retired on 31st May, 2006)	2/7
XU Xiang	(appointed on 1st June, 2006)	4/7
HE Lianyi		7/7
Independent non-executive directors:		
QIAO Jun		7/7
CHENG Zhiming		7/7
LI Yijing		7/7
SHEN Jin		7/7
Number of meetings held during the relevant period		7

(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, 2006, 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, 2006
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 31st December, 2006, 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, 2006, 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, 2006
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, 2006 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 the Company and shareholders.

(F) THE RESPONSBILITY 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. The Board also warrants to issue the financial statements of the Group in time.

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, 2006, the Group's external auditors provided the following services to the Group:

	2006
	HK$'000
Audit services	860
Taxation consultation services/Other consultation services	—

Horwath Hong Kong CPA Limited
Certified Public Accounts
A member of Horwath International
2001 Central Plaza
18 Harbour Road
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INDEPENDENT AUDITOR'S REPORT
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 consolidated financial statements of Dahe Media Co. Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 72, which comprise the consolidated and the Company balance sheets as at 31st December, 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2006 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards 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, 2007
Chan Kam Wing, Clement
Practising Certificate number P02038

Consolidated Income Statement

For the year ended 31st December, 2006
(Expressed in Renminbi)

	Note	2006 RMB'000	2005 RMB'000
Turnover	5	**388,526**	310,834
Cost of sales		**(290,623)**	(219,471)
Gross profit		**97,903**	91,363
Other revenue and gain	6	**5,720**	2,945
Distribution costs		**(30,716)**	(25,541)
Administrative expenses		**(37,544)**	(32,626)
Operating profit	7	**35,363**	36,141
Finance costs	8	**(11,560)**	(8,860)
Profit before taxation		**23,803**	27,281
Income tax	9	**(6,620)**	(5,153)
Profit for the year		**17,183**	22,128
Attributable to:			
Equity holders of the Company		**19,001**	19,873
Minority interest		**(1,818)**	2,255
		17,183	22,128
Final dividend proposed to equity holders of the Company attributable to the year	10	**—**	4,980
Earnings per share – Basic (RMB)	11	**0.02**	0.02

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

At 31st December, 2006

(Expressed in Renminbi)

	Note	2006 *RMB'000*	2005 *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**192,276**	210,100
Land use rights	15	**5,284**	5,399
Construction in progress	16	**622**	—
Goodwill	17	**15,519**	15,519
Other intangible assets	18	**3,446**	3,671
		217,147	234,689
Current assets			
Inventories	20	**9,783**	12,080
Trade and note receivables	21	**81,450**	62,393
Other receivables, deposits and prepayments	22	**69,074**	64,306
Amount due from holding company	31(c)	**1,631**	2,230
Amounts due from related companies	31(d)	**48,828**	42,967
Bank balances and cash and pledged bank deposits	23	**112,569**	102,830
		323,335	286,806
Current liabilities			
Short term bank borrowings	24	**175,000**	155,000
Trade payables	25	**17,927**	13,535
Other payables, deposits received and accruals		**10,470**	11,573
Deferred advertising income		**20,862**	18,640
Amounts due to related companies	31(e)	**532**	2,131
Other tax payables	26	**4,117**	2,342
Current tax liabilities		**4,976**	1,607
		233,884	204,828
Net current assets		**89,451**	81,978
Total assets less current liabilities carried forward		**306,598**	316,667

	Note	2006 RMB'000	2005 RMB'000
Total assets less current liabilities brought forward		**306,598**	316,667
Non-current liabilities			
Long term bank borrowings	24	**—**	25,000
Other payables		**—**	400
		—	(25,400)
Net assets		**306,598**	291,267
CAPITAL AND RESERVES			
Share capital	27	**83,000**	83,000
Reserves		**189,845**	175,641
Equity attributable to equity holders of the Company		**272,845**	258,641
Minority interest		**33,753**	32,626
Total equity		**306,598**	291,267

These financial statements were approved and authorised for issue by the board of directors on 30th March, 2007

He Chaobing
Director

Wang Weijie
Director

The accompanying notes form part of these financial statements.

Balance Sheet

At 31st December, 2006

(Expressed in Renminbi)

	Note	2006 RMB'000	2005 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**117,926**	143,653
Land use rights	15	**5,284**	5,399
Construction in progress	16	**622**	—
Other intangible assets	18	**1,600**	1,700
Investments in subsidiaries	19	**86,876**	81,111
		212,308	231,863
Current assets			
Inventories	20	**7,568**	10,159
Trade and note receivables	21	**54,133**	40,151
Other receivables, deposits and prepayments	22	**19,530**	42,138
Amounts due from subsidiaries	19	**47,443**	18,983
Amount due from holding company	31(c)	**1,807**	2,230
Amounts due from related companies	31(d)	**36,215**	29,742
Bank balances and cash and pledged bank deposits	23	**100,578**	89,972
		267,274	233,375
Current liabilities			
Short term bank borrowings	24	**175,000**	155,000
Trade payables	25	**8,619**	5,943
Other payables, deposits received and accruals		**5,137**	8,467
Deferred advertising income		**10,399**	10,840
Amounts due to subsidiaries	19	**1,356**	965
Amount due to a related company	31(e)	**232**	232
Other tax payables	26	**2,424**	1,405
Current tax liabilities		**2,793**	890
		205,960	183,742
Net current assets		**61,314**	49,633
Total assets less current liabilities carried forward		**273,622**	281,496

Balance Sheet (Continued)

At 31st December, 2006
(Expressed in Renminbi)

	Note	2006	2005
		RMB'000	*RMB'000*
Total assets less current liabilities brought forward		**273,622**	281,496
Non-current liabilities			
Long term bank borrowings	24	—	25,000
Other payables		—	400
		—	(25,400)
Net assets		**273,622**	256,096
CAPITAL AND RESERVES			
Share capital	27	**83,000**	83,000
Reserves	28	**190,622**	173,096
Total equity		**273,622**	256,096

These financial statements were approved and authorised for issue by the board of directors on 30th March, 2007.

He Chaobing
Director

Wang Weijie
Director

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2006
(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 reserves**	**Minority interest**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 27)		*(note 28(i))*	*(note 28(ii))*				
Balance at 1st January, 2005	**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
Appropriations from retained profits	—	—	2,419	1,210	(3,629)	—	—	—
Minority interest - Business combination	—	—	—	—	—	—	2,720	2,720
Balance at 31st December, 2005 and 1st January, 2006	**83,000**	**95,914**	**10,814**	**5,407**	**63,506**	**175,641**	**32,626**	**291,267**
Dividend declared and paid	—	—	—	—	(4,797)	(4,797)	—	(4,797)
Net profit for the year	—	—	—	—	19,001	19,001	(1,818)	17,183
Appropriations from retained profits	—	—	2,039	—	(2,039)	—	—	—
Transfer	—	—	5,407	(5,407)	—	—	—	—
Minority interest - Business combination	—	—	—	—	—	—	2,945	2,945
Balance at 31st December, 2006	**83,000**	**95,914**	**18,260**	**—**	**75,671**	**189,845**	**33,753**	**306,598**

(a) 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 accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December, 2006
(Expressed in Renminbi)

	Note	2006 *RMB'000*	2005 *RMB'000*
Operating activities			
Profit before taxation		**23,803**	27,281
Adjustments for:			
Interest income		**(1,067)**	(1,481)
Interest expense		**11,508**	8,754
Depreciation		**39,716**	37,765
Amortisation of other intangible assets and land use rights		**340**	340
Gain on disposal of a subsidiary	**30**	**(2,206)**	—
Loss on disposal of items of property, plant and equipment		**683**	93
Provision for bad and doubtful debts		**2,980**	3,066
Provision for obsolete inventories		**315**	512
Operating cash flows before working capital changes		**76,072**	76,330
Decrease in amount due from an associate		**—**	3,500
Decrease/(increase) in inventories		**1,982**	(1,382)
Increase in trade and note receivables		**(44,325)**	(33,222)
Decrease/(increase) in other receivables, deposits and prepayments		**11,044**	(9,286)
Decrease/(increase) in amount due from holding company		**599**	(2,230)
Increase in amounts due from related companies		**(5,861)**	(19,786)
Increase/(decrease) in trade payables		**4,392**	(3,660)
Decrease in other payables, deposits received and accruals		**(1,543)**	(11,986)
Increase in deferred advertising income		**2,222**	10,160
Decrease in amounts due to related companies		**(1,599)**	1,900
Increase in other tax payables		**1,775**	712
Cash generated from operations		**44,758**	11,050
Interest paid		**(11,160)**	(8,503)
PRC income tax paid		**(3,251)**	(3,894)
Net cash generated from/(used in) operating activities carried forward		**30,347**	(1,347)

For the year ended 31st December, 2006

(Expressed in Renminbi)

	Note	2006 RMB'000	2005 RMB'000
Net cash generated from/(used in) operating activities brought forward		**30,347**	(1,347)
Investing activities			
Acquisition of items of property, plant and equipment		**(23,067)**	(30,153)
Sales proceeds on disposal of items of property, plant and equipment		**173**	189
Release/(placement) of pledged bank deposits		**9,000**	(30,000)
Payments for construction in progress		**(622)**	—
Acquisition of a subsidiary (net of cash acquired)	29	**—**	(1,383)
Proceeds on disposal and liquidation of subsidiaries (net of cash disposed of and distributed)	30	**8,601**	—
Interest received		**1,067**	902
Net cash used in investing activities		**(4,848)**	(60,445)
Financing activities			
Proceeds from new bank borrowings		**175,000**	220,000
Repayment of bank borrowings		**(180,000)**	(175,000)
Dividends paid		**(4,797)**	(6,683)
Capital contributions from minority shareholders		**3,037**	2,720
Net cash (used in)/generated from financing activities		**(6,760)**	41,037
Net increase/(decrease) in cash and cash equivalents		**18,739**	(20,755)
Cash and cash equivalents at beginning of year		**72,830**	93,585
Cash and cash equivalents at end of year		**91,569**	72,830
Analysis of cash and cash equivalents			
Bank balances and cash		**112,569**	102,830
Less: Pledged bank deposits	23	**(21,000)**	(30,000)
		91,569	72,830

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi)

1. ORGANISATION AND OPERATIONS

The Company is a joint stock company established in the People's Republic of China ("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 19 to the financial statements.

The directors consider the ultimate holding company of the 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 ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual reporting periods beginning on 1st January 2006.

The adoption of the new and revised HKFRSs did not result in substantial changes to the Group's accounting policies nor have affected the amounts reported for the current or prior years except for HKAS 39 & HKFRS 4 (Amendments).

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue". The adoption of this amendment has had no material impact on these financial statements.

At the date of authorisation of these financial statements, the following HKFRSs were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1st January, 2007
HKFRS 7	Financial Instruments: Disclosures	1st January, 2007
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics	1st March, 2006
HK(IFRIC) – Int 8	Scope of HKFRS 2	1st May, 2006
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives	1st June, 2006
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment	1st November, 2006

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

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance and basis of preparation of financial statements

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM.

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

(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 provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Minority interest in the net assets of consolidated subsidiaries is identified separately from the Group's equity therein. Minority interest consists 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 date 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 acquisition 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 and 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 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 subsidiaries is presented separately.

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-rata 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.

Gain or loss on the disposal of a subsidiary includes the carrying amount of goodwill relating to the subsidiary sold.

(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 in the balance sheet date at their historical cost less accumulated depreciation and any accumulated impairment losses.

Historical 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 overhaul costs, is charged to profit or loss 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 or a separate asset.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives using the straight line basis, after taking into account their estimated residual values. The estimated useful lives are as follows:-

Buildings	20 years
Leasehold improvements	Over the remaining term of the lease
Outdoor advertising displays	Over the term of the advertising right contract
Production equipment	8 to 10 years
Furniture, fixtures and equipment	5 to 10 years
Motor vehicles	6 years

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

With effect from 1st January, 2006, following a reappraisal of the estimated useful lives of furniture, fixtures and equipment, the estimated entire useful life of certain items with an aggregate net book value of approximately RMB4,279,000 increased from 5 to 8 years, resulting in a decrease of approximately RMB700,000 in depreciation charge for the year.

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 and loss account.

(f) Construction in progress

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

(g) Intangible assets-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 purchase 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.

(h) 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 its 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 dividends received and receivable.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Impairment of assets excluding goodwill

Assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment 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 the profit and loss account.

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 loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes cost of purchase of materials computed using the first-in-first-out method and, in the case of work in progress and finished goods, direct labour and an appropriate proportion of production overheads. Net realisable value is determined by reference to the anticipated sales proceeds of items sold in the ordinary course of business less estimated selling expenses after the balance sheet date or to management estimates based on prevailing market conditions. 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 in which 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) 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 provisions for impairment on estimated irrecoverable amounts are recognised in profit and loss account 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 deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iii) *Financial liabilities and equity*

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(iv) *Borrowings*

Interest-bearing bank borrowings 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(r)).

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.

(v) *Payables*

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

(vi) *Equity instruments*

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Provisions and contingent liabilities

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

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

(m) Leases

Rentals payable under operating leases are charged to profits or loss on a straight-line basis over the term of the relevant lease. 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.

The cost of acquiring land use right held under an operating lease is amortised on a straight-line basis over the period of the lease term. Land use rights are stated at cost less accumulated amortisation and any impairment losses.

(n) 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.

(o) 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Taxation (Continued)

Deferred tax liabilities are 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 and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the 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. Taxation 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 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.

(p) 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 (“functional currency”). The consolidated financial statements are expressed in Renminbi (“RMB”), which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

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 and loss account for the period.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Employees' benefits

i) Employee leave entitlements

Salaries, annual bonuses and other allowances are accrued in the year in which the associated services are rendered by employees.

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.

(r) 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 profit and loss account in the period in which they are incurred.

(s) 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 production of printed posters and signages and sale of products including LED displays and lamps are recognised when products are delivered to the customer, the customer has accepted the products and collectibility of the related receivable is reasonably assured.

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-apportioned basis by reference to the principal outstanding using the effective interest method.

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)

(t) Related parties

Two parties are considered to be related if one party 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. Parties are also considered to be related if they 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 ESTIMATES

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 above, 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 and estimate of useful lives of items of property, plant and equipment.

The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists in respect of goodwill and other assets respectively. 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.

Based on a reappraisal of estimated useful lives of items of property, plant and equipment by the Group during the year, the estimated entire useful lives of certain assets are extended, details of which are set out in note 3(e) to these financial statements.

5. TURNOVER

Turnover represents the invoiced amount of production and goods sold and services provided to outside customers after allowances for returns and discounts and is analysed as follows:-

	2006	2005
	RMB'000	*RMB'000*
Outdoor advertisement design and production fees		
– Printed posters	**109,279**	129,259
– Signages	**29,596**	20,109
– Electronic media (LED displays)	**3,713**	6,700
– Sale of lamps for outdoor advertisement	**674**	1,638
Income from dissemination of outdoor and media advertisement	**243,614**	149,387
Franchise fee income	**1,650**	3,741
	388,526	310,834

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

6. OTHER REVENUE AND GAIN

		2006	2005
	Note	***RMB'000***	*RMB'000*
Gain on disposal of a subsidiary	30	**2,206**	—
Government subsidies *(note)*		**1,915**	793
Interest income		**1,067**	1,481
Rental income	31(a)(iii)	**240**	240
Others		**292**	431
		5,720	2,945

Note: 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 rates ranging from 21% to 70% of business or local tax paid.

7. OPERATING PROFIT

	2006	2005
	RMB'000	*RMB'000*
Operating profit is arrived at after charging:		
Business taxes (included in cost of sales)	**11,444**	9,704
Auditor's remuneration	**860**	734
Depreciation	**39,716**	37,765
Amortisation of land use rights	**115**	115
Amortisation of other intangible assets	**225**	225
Provision for bad and doubtful debts	**2,980**	3,066
Provision for obsolete inventories (included in cost of sales)	**315**	512
Exchange losses, net	**470**	346
Loss on disposal of property, plant and equipment	**683**	93
Employee benefit expenses (excluding directors' and supervisors' remuneration *(note 12)*)		
– Salaries, bonus and allowances	**29,126**	23,640
– Retirement benefit scheme contributions	**1,382**	999

8. FINANCE COSTS

	2006	2005
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**11,508**	8,754
Bank charges	**52**	106
	11,560	8,860

9. INCOME TAX

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 EIT rate of 15% for subsequent years. Accordingly, the Company is subject to EIT rate of 15% for the year ended 31st December, 2006 (2005: 15%).

However, based on the local income tax regulations, profits of the Company's branches at Wuhan, Guangzhou, Shenzhen and Shanghai are subject to separate tax assessments. Taxation on these branches is levied based on the EIT rate of 33% (2005: 33%), except for Shenzhen branch which is levied based on EIT rate of 15% (2005: 15%) on the respective estimated taxable income.

The subsidiaries of the Company are subject to standard EIT rate of 33% (2005: 33%).

9. INCOME TAX (Continued)

Taxation in the consolidated income statement represents:

	2006 RMB'000	2005 RMB'000
Current tax—PRC		
– Provision for the year	**6,755**	4,512
– (Over)/ underprovision in respect of prior year	**(135)**	641
	6,620	5,153

The taxation charge for the year can be reconciled to the accounting profit as follows:

	2006 RMB'000	2005 RMB'000
Profit before taxation	**23,803**	27,281
Tax calculated at the statutory EIT rate of 33%	**7,855**	9,003
Tax effect of expenses not deductible for taxation purposes	**2,699**	1,597
Tax effect of non-taxable items	**(20)**	—
Utilisation of previously unrecognised tax losses	**(16)**	(77)
Tax effect of unused tax losses of subsidiaries not recognised	**2,138**	322
Exemption/reduction of income tax under preferential tax treatment	**(5,901)**	(6,333)
(Over)/underprovision in respect of prior years	**(135)**	641
Income tax for the year	**6,620**	5,153

At 31st December, 2006, the Group has unused tax losses of RMB9,747,000 (2005: RMB3,268,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

10. DIVIDEND PROPOSED TO EQUITY HOLDERS OF THE COMPANY ATTRIBUTABLE TO THE YEAR

	2006 RMB'000	2005 RMB'000
Final dividend proposed of RMB NIL per share (2005: RMB0.006 per share)	**—**	4,980

On 15th April, 2006, a final dividend of RMB0.006 per share in respect of the year ended 31st December, 2005 was paid to shareholders.

In the current year, the directors do not recommend the payment of final dividend in respect of the year ended 31st December, 2006.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31st December, 2006 is based on the net profit attributable to equity holders of the Company of RMB19,001,000 (2005: RMB19,873,000) and on the weighted average number of shares in issue.

Diluted earnings per share amounts for the years ended 31st December, 2005 and 2006 have not been disclosed as no diluting event existed during the years.

12. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

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

		2006		
	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
He Chaobing	—	262	19	281
Wang Weijie	—	302	18	320
Non-executive directors:				
He Lianyi	12	—	—	12
Xu Xiang	6	—	—	6
Chan E Nam Viveca	11	—	—	11
Hu Guangi	6	—	—	6
Li Huafei	12	—	—	12
Independent non-executive directors:				
Cheng Zhiming	24	—	—	24
Qiao Jun	24	—	—	24
Li Yijing	24	—	—	24
Shen Jin	25	—	—	25
	144	564	37	745

12. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

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

	2005			
	Fees *RMB'000*	Salaries and allowances *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *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 Zhiming	25	1	—	26
Qiao Jun	25	1	—	26
Li Yijing	25	1	—	26
Shen Jin	26	1	—	27
	145	512	22	679

There was no arrangement under which a director waived or agreed to waive any remuneration, 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' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

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

	2006			
	Salaries and allowances	**Bonus**	**Retirement benefit scheme contributions**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Supervisors:				
Wang Mingmei	**24**	**186**	**—**	**210**
Xue Guiyu	**43**	**12**	**9**	**64**
Liu Jianbo	**9**	**—**	**—**	**9**
	76	**198**	**9**	**283**

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

There was no arrangement under which a supervisor waived or agreed to waive any remuneration, 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' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(c) Details of the remuneration paid to the five highest paid individuals for the year ended 31st December, 2006 included two directors (2005: two directors) whose remuneration are set out above. Details of remuneration of the remaining three (2005: three) highest paid employees during the two years ended 31st December, 2006 were as follows:-

	2006	2005
	RMB'000	*RMB'000*
Salaries and allowances	**302**	477
Bonus	**206**	1
Retirement benefit scheme contributions	**18**	19
	526	497

During the year, no remuneration was paid by the Group to the five 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 of the PRC. 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, 2005	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 and 1st January, 2006	**41,603**	**2,809**	**113,621**	**134,110**	**23,478**	**8,348**	**323,969**
Additions	—	837	18,432	1,686	987	1,125	23,067
Disposal of a subsidiary	—	—	—	—	(95)	(253)	(348)
Disposals	—	—	(1,316)	—	(87)	(400)	(1,803)
At 31st December, 2006	**41,603**	**3,646**	**130,737**	**135,796**	**24,283**	**8,820**	**344,885**
Accumulated depreciation:							
At 1st January, 2005	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 and 1st January, 2006	**3,297**	**1,063**	**22,848**	**71,976**	**11,388**	**3,297**	**113,869**
Charge for the year	1,956	718	16,613	16,054	2,760	1,615	39,716
Disposal of a subsidiary	—	—	—	—	(12)	(17)	(29)
Written back on disposal	—	—	(712)	—	(11)	(224)	(947)
At 31st December, 2006	**5,253**	**1,781**	**38,749**	**88,030**	**14,125**	**4,671**	**152,609**
Net book value:							
At 31st December, 2006	**36,350**	**1,865**	**91,988**	**47,766**	**10,158**	**4,149**	**192,276**
At 31st December, 2005	**38,306**	**1,746**	**90,773**	**62,134**	**12,090**	**5,051**	**210,100**

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							
Cost:							
At 1st January, 2005	40,649	2,478	48,347	125,731	21,538	5,939	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 and 1st January, 2006	**41,603**	**2,662**	**55,896**	**109,774**	**20,542**	**6,157**	**236,634**
Additions	—	124	3,358	1,603	605	408	6,098
Disposals	—	(19)	(7,448)	—	(211)	(620)	(8,298)
At 31st December, 2006	**41,603**	**2,767**	**51,806**	**111,377**	**20,936**	**5,945**	**234,434**
Accumulated depreciation:							
At 1st January, 2005	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 and 1st January, 2006	**3,297**	**1,011**	**10,706**	**64,883**	**10,305**	**2,779**	**92,981**
Charge for the year	1,956	635	5,277	13,324	2,296	1,211	24,699
Written back on disposal	—	(9)	(712)	—	(79)	(372)	(1,172)
At 31st December, 2006	**5,253**	**1,637**	**15,271**	**78,207**	**12,522**	**3,618**	**116,508**
Net book value:							
At 31st December, 2006	**36,350**	**1,130**	**36,535**	**33,170**	**8,414**	**2,327**	**117,926**
At 31st December, 2005	**38,306**	**1,651**	**45,190**	**44,891**	**10,237**	**3,378**	**143,653**

15. LAND USE RIGHTS

	RMB'000
The Group and the Company	
Cost:	
As at 1st January, 2005, 31st December, 2005 and 2006	**5,764**
Accumulated amortisation:	
At 1st January, 2005	250
Charge for the year	115
At 31st December, 2005	365
Charge for the year	115
At 31st December, 2006	**480**
Net book value:	
At 31st December, 2006	**5,284**
At 31st December, 2005	5,399

The Group's and the Company's land use rights are held in the PRC under medium term leases.

16. CONSTRUCTION IN PROGRESS

The Group and the Company

	RMB'000
Addition during the year and as at 31st December, 2006	622

No capitalised interest is included in construction in progress as at 31st December, 2006.

17. GOODWILL

The Group

	2006	2005
	RMB'000	*RMB'000*
Cost and carrying amount:		
At beginning of year	**15,519**	2,648
Addition	**—**	12,871
At end of year	**15,519**	15,519

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 31st December, 2005 and 2006 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:

	2006	2005
	RMB'000	*RMB'000*
Name of attributable subsidiaries		
Beijing Dahe Shuanglong Advertising Co., Ltd.	**1,574**	1,574
Shanghai Dahe Yasi Advertising Co., Ltd.	**1,074**	1,074
Beijing Millennium Ankang International Media Co., Ltd.	**12,871**	12,871
	15,519	15,519

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 are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years.

Key assumption used for value in use calculations:

	2006	2005
	%	%
Gross margin	**12 to 25**	13 to 25
Growth rate	**0 to 3**	0 to 3
Discount rate	**6.22**	6.05

The recoverable amounts of the goodwill relating to the above CGUs determined by value in use calculations suggested that there was no impairment in the value of goodwill as at 31st December, 2006.

18. OTHER INTANGIBLE ASSETS

Advertising rights	The Group *RMB'000*	The Company *RMB'000*
Cost:		
At 1st January, 2005, 31st December, 2005 and 2006	**4,500**	**2,000**
Accumulated amortisation:		
At 1st January, 2005	604	200
Charge for the year	225	100
At 31st December, 2005 and 1st January, 2006	829	300
Charge for the year	225	100
At 31st December, 2006	**1,054**	**400**
Net book value:		
At 31st December, 2006	**3,446**	**1,600**
At 31st December, 2005	3,671	1,700

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

19. INTERESTS IN SUBSIDIARIES

	The Company	
	2006 *RMB'000*	2005 *RMB'000*
Capital contribution, at cost	**86,876**	81,111
Amounts due from subsidiaries	**47,443**	18,983
Amounts due to subsidiaries	**(1,356)**	(965)

(Expressed in Renminbi)

19. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of subsidiaries as at the balance sheet date are as follows:-

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest			Principal activities
		Group's effective interest	Effective interest held by the Company	Effective interest held by subsidiaries	
Nanjing Ultralon Investment Management Co., Ltd. (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%	4.41%	Dissemination of outdoor advertisement
Shanghai Dahe Yasi Advertising Co., Ltd. (上海大賀雅思廣告有限公司)	PRC	90%	90%	—	Dissemination of outdoor advertisement
Hangzhou Ultralon Advertising Co., Ltd. (杭州歐特龍廣告有限公司)	PRC	99%	90%	9%	Dissemination of outdoor advertisement
Chengdu Ultralon Advertising Co., Ltd. (成都歐特龍廣告有限公司)	PRC	99%	90%	9%	Inactive
Shanghai Daxi Advertising Co., Ltd. (上海大喜標識有限公司)	PRC	58.5%	—	58.5%	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%	6%	Dissemination of outdoor and media advertisement
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

19. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest: Group's effective interest	Effective interest held by the Company	Effective interest held by subsidiaries	Principal activities
Beijing Millennium Ankang International Media Co., Ltd ("Beijing Millennium Ankang") (北京千禧安康國際傳媒廣告有限公司)	PRC	51%	51%	—	Design, production, dissemination of advertisements on and franchising of the "Ankang Advertising Board"
Nanjing Dahe Colour Printing Co., Ltd. (南京大賀彩色印刷有限公司)	PRC	90%	90%	—	Design, printing and production of posters
Hebei Dahe Media Co., Ltd. ("Hebei Dahe") (河北大賀傳媒有限公司)	PRC	67%	67%	—	Dissemination of outdoor advertisement

Notes:

(a) During the year, the Group's entire 72% effective equity interest in Nanjing Jinxin Media Co. Ltd. ("Nanjing Jinxin") was disposed of to an independent third party, and Shanghai Dahe Daxi Advertising & Media Co., Ltd. ("Dahe Daxi"), a 55.85%-owned subsidiary, was voluntarily liquidated. Details of the disposal and liquidation of subsidiaries are set out in note 30 to the financial statements.

(b) Hebei Dahe was newly established on 16th August, 2006.

20. INVENTORIES

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Inventories comprises:-				
Raw materials	**6,418**	7,869	**4,203**	5,948
Work in progress	**1,351**	1,340	**1,351**	1,340
Finished goods	**2,014**	2,871	**2,014**	2,871
	9,783	12,080	**7,568**	10,159

21. TRADE AND NOTE RECEIVABLES

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

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**23,495**	21,711	**10,889**	13,733
Between 2 to 3 months	**15,855**	17,380	**11,094**	8,594
Between 4 to 6 months	**21,440**	14,240	**16,716**	10,504
Between 7 to 12 months	**11,502**	5,762	**8,937**	4,579
Between 1 to 2 years	**8,111**	2,434	**5,526**	1,924
Between 2 to 3 years	**1,047**	866	**971**	817
	81,450	62,393	**54,133**	40,151

As at 31st December, 2006, a provision has been made for estimated irrecoverable amounts from the sale of goods and services of approximately RMB6,797,000 (2005: RMB3,817,000).

The directors consider that the carrying amount of trade and note receivables approximates their fair value.

No interest is charged on trade and note receivables.

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other receivables	**38,959**	23,535	**1,583**	22,824
Deposits	**7,289**	16,495	**5,698**	5,752
Prepayments	**22,826**	24,276	**12,249**	13,562
	69,074	64,306	**19,530**	42,138

The amounts of prepayments of the Group and the Company expected to be utilised after more than one year were approximately RMB4,426,000 (2005: RMB5,114,000) and RMB2,482,000 (2005: RMB730,000) respectively. All the other receivables, deposits and prepayments are expected to be recovered within one year.

The directors consider that the carrying amount of other receivables, deposits and prepayments approximates their value.

23. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

As at 31st December, 2006, included in bank balances and cash are bank deposits of RMB10,000,000 (2005: RMB30,000,000) pledged to a bank to secure the note payables (note 24) and bank deposit of RMB11,000,000 (2005: RMB Nil) pledged to a bank to secure a bank loan of the Group's holding company (note 31 (f)).

24. BANK BORROWINGS

	The Group and the Company	
	2006	2005
	RMB'000	*RMB'000*
Bank loans	**155,000**	136,000
Note payables	**20,000**	44,000
	175,000	180,000
The borrowings are repayable as follows:		
On demand or within one year	**175,000**	155,000
In the second year	**—**	25,000
	175,000	180,000
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(175,000)**	(155,000)
Amount due for settlement after 12 months	**—**	25,000

All the Group's bank loans are denominated in RMB, arranged at fixed interest rates and expose the Group to fair value interest rate risk. Bank loans in total of RMB155,000,000 (2005: RMB55,000,000) were secured by corporate guarantees from the Company's holding company and the remaining bank loans in aggregate of RMB81,000,000 as at 31st December, 2005 were unsecured.

Note payables were issued with terms of 6 months and are secured by charges over the Group's bank deposits of RMB10,000,000 (2005: RMB30,000,000) (note 23).

The average interest rates paid in respect of bank loans was 6.22% (2005: 6.05%).

The directors consider that the carrying amounts of the Group's and the Company's bank borrowings approximate to their fair values as at 31st December, 2005 and 2006.

25. TRADE PAYABLES

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

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**6,895**	6,007	**3,003**	1,961
Between 2 to 3 months	**4,553**	4,034	**1,831**	1,369
Between 4 to 6 months	**1,404**	1,876	**964**	1,118
Between 7 to 12 months	**2,851**	538	**1,315**	442
Between 1 to 2 years	**1,493**	1,080	**791**	1,053
Over 2 years	**731**	—	**715**	—
	17,927	13,535	**8,619**	5,943

Trade payables principally comprise amounts outstanding for trade purchases.

The directors consider that the carrying amount of trade payables approximates their fair value.

26. OTHER TAX PAYABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other tax payables comprises:-				
Business taxes	**2,309**	1,329	**1,161**	663
Value added taxes	**1,377**	750	**1,077**	696
City construction taxes	**222**	100	**121**	51
Others	**209**	163	**65**	(5)
	4,117	2,342	**2,424**	1,405

27. SHARE CAPITAL

	Number of shares '000	Amount RMB'000
Registered, issued and fully paid:		
Total domestic shares and H shares of RMB0.1 each at 31st December, 2005 and 2006	830,000	83,000

Domestic shares and H shares are both ordinary shares in the share capital of the Company. However, H shares may only be subscribed for by, and traded in Hong Kong dollars between legal or natural persons of Hong Kong, Macau, Taiwan or any country other than the PRC. Domestic shares, on the other hand, may only be subscribed for by, and traded between legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan) and must be subscribed for and traded in RMB. 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 RMB. 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.

28. RESERVES

		PRC Statutory funds			
	Share premium RMB'000	Statutory surplus reserve RMB'000 (note (i))	Staff welfare reserve RMB'000 (note (ii))	Retained profits RMB'000	Total RMB'000
The Company					
At 1st January, 2005	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
Appropriations from retained profits	—	1,893	946	(2,839)	—
At 31st December, 2005 and 1st January, 2006	95,745	9,796	4,898	62,657	173,096
Dividend declared and paid	—	—	—	(4,797)	(4,797)
Net profit for the year	—	—	—	22,323	22,323
Appropriations from retained profits	—	1,850	—	(1,850)	—
Transfer	—	4,898	(4,898)	—	—
At 31st December, 2006	**95,745**	**16,544**	**—**	**78,333**	**190,622**

28. RESERVES (Continued)

i) Statutory surplus reserve

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

ii) Staff welfare reserve

Before 1st January, 2006, according to the relevant PRC regulations and the articles of association of the Company and its subsidiaries, the Company and its subsidiaries were also required to appropriate 5% to 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory staff welfare reserve account to be utilised to build or acquire capital items, such as dormitories and other facilities for the Company's and the Group's employees and such reserve cannot be used to pay for staff welfare expenses. Titles of these capital items will remain with the Company and its subsidiaries.

According to the Company Law of the PRC which was revised on 27th October, 2005, the Company and the Group are no longer required to make profit appropriation to the statutory staff welfare reserve commencing from 1st January, 2006. Pursuant to the notice "Cai Qi [2006] No. 67" issued by the Ministry of Finance of the PRC, the balance of this reserve as at 31st December, 2005 was transferred to the statutory surplus reserve.

29. ACQUISITION OF A SUBSIDIARY

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

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 Millennium Ankang is attributable to the anticipated profitability of the anticipated future operating synergies from the combination.

Beijing Millennium 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 31st December, 2005.

30. DISPOSAL AND LIQUIDATION OF SUBSIDIARIES

On 30th September, 2006, the Group's entire 72% effective interest in Nanjing Jinxin was disposed of to an independent third party at a consideration of RMB43,313,000, as disclosed in the Company's announcement dated 15th December, 2006, and on 25th August, 2006, Dahe Daxi, a 55.85%-owned subsidiary with bank balances of HK$387,000 as its sole asset, was voluntarily liquidated.

The net assets of Nanjing Jinxin and Dahe Daxi at the dates of disposal and liquidation, when appropriate, were as follows:

	RMB'000
Net assets disposed of and liquidated:	
Property, plant and equipment	319
Trade and notes receivables	22,288
Other receivables, deposits and prepayments	18,653
Bank and cash balances	542
Other payables, deposits received and accruals	(308)
Net identifiable assets and liabilities	41,494
Minority interest	(92)
Gain on disposal of a subsidiary	2,206
Total consideration of disposal and net assets for distribution upon liquidation	43,608
Satisfied by:	
Other receivables, deposits and prepayments	34,465
Cash consideration	9,143
	43,608
Net cash inflow arising on disposal and liquidation:	
Cash consideration	9,143
Bank balances and cash disposed of and distributed upon liquidation	(542)
	8,601

Nanjing Jinxin and Dahe Daxi contributed RMB65,669,000 of aggregate revenue and RMB2,637,000 of aggregate net loss to the Group's results for the current year (2005: RMB338,000).

During the year, Nanjing Jinxin and Dahe Daxi contributed outflow of RMB3,091,000 (2005: inflow of RMB3,560,000) to the Group's net operating cash flows and utilised RMB298,000 (2005: RMB132,000) on investing activities.

31. RELATED PARTIES TRANSACTIONS

(a) During the year and in the ordinary course of business, the Group had the following material transactions with related parties which are not members of the Group:-

	Note	2006 RMB'000	2005 RMB'000
Holding company			
Sales made	(i)	—	192
Fellow subsidiaries			
Sales made	(ii)	1,281	5,298
Rentals received	(iii)	240	240
Construction of advertising displays paid	(iv)	6,235	2,001
Related company			
Sales made	(v)	1,922	—

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

(ii) Sales were made to fellow subsidiaries in respect of dissemination of outdoor advertisement and posters production services provided at market prices.

(iii) Rentals were received from a fellow subsidiary 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 a fellow subsidiary whereby the Group has agreed to engage the fellow subsidiary 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 the fellow subsidiary, provided that the service fees charged by the fellow subsidiary are no less favourable than the amount fellow subsidiary would charge other independent customers.

(v) Sales were made to a related company in respect of dissemination of outdoor advertisement and posters production services provided at market prices.

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

	2006 RMB'000	2005 RMB'000
Short term benefits	1,344	1,138

(c) The amount due from holding company is unsecured, interest free and repayable on demand. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amount owed by holding company.

31. RELATED PARTIES TRANSACTIONS (Continued)

(d) Majority of the balances at 31st December, 2006 represented an amount due from Nanjing Dahe Decoration Co., Ltd, is a fellow subsidiary of the Group, of approximately RMB32,759,000 (2005: RMB26,329,000) and an amount due from a minority shareholder, Chongqing Basu Art and Media Co ("Basu Art") of approximately RMB13,352,000 (2005: RMB13,125,000). Included in the balance due from Nanjing Dahe Decoration Co., Ltd were deposits paid for the construction of advertising displays of approximately RMB16,744,000 (2005: RMB23,102,000). The balance due from Basu Art included a prepayment in the amount of approximately RMB10,466,000 (2005: RMB10,466,000) for the acquisition of outdoor advertising space, details of which was disclosed in the Company's announcement dated 14th October, 2004. All the balances are non-interest bearing and unsecured, and the amounts have no fixed repayment terms.

(e) The balances represented an amount due to Fule (Nanjing) Lighting Appliance Co., Ltd. ("Fule Nanjing") of approximately of RMB232,000 (2005: RMB231,000) arising from purchases of lamps from Fule Nanjing and amounts in total of RMB300,000 (2005: RMB1,900,000) due to minority shareholders, which are interest free, unsecured and have no fixed terms of repayment.

(f) As at 31st December, 2006, the Company's and the Group's bank deposit of RMB11,000,000 (2005: RMB Nil) is pledged to a bank to secure a bank loan of holding company.

(g) As at 31st December, 2006, the Company's and the Group's bank loans in total of RMB155,000,000 (2005: RMB55,000,000) were secured by corporate guarantees from the Company's holding company.

32. OPERATING LEASE ARRANGEMENTS

The Group as a lessee

	2006		2005	
	Land and buildings	**Advertising rights**	Land and buildings	Advertising rights
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Minimum lease payment under operating leases as an expenses in the year	**4,271**	**121,147**	4,181	37,311

32. OPERATING LEASE ARRANGEMENTS (Continued)

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

	2006		2005	
	Land and buildings *RMB'000*	**Advertising rights** *RMB'000*	Land and buildings *RMB'000*	Advertising rights *RMB'000*
Within one year	**3,454**	**20,211**	2,508	14,515
In the second to fifth years inclusive	**6,771**	**41,306**	3,566	32,439
After five years	**5,128**	**39,338**	—	13,154
	15,353	**100,855**	6,074	60,108

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.

The Group as a lessor

	2006		2005	
	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**	**202,654**	240	106,685

32. OPERATING LEASE ARRANGEMENTS (Continued)

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

	2006		2005	
	Land and buildings	**Advertising sites**	Land and buildings	Advertising sites
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within one year	**240**	**35,818**	240	34,563
In the second to fifth years inclusive	**—**	**13,353**	240	13,847
After five years	**—**	**375**	—	32
	240	**49,546**	480	48,442

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) to the financial statements and annual fees receivable on contracts in respect of the dissemination of outdoor and media advertisement. Leases for the properties are negotiated for terms of five years at fixed rental. Advertising advertising right contracts are negotiated for terms from one to three years at fixed rental.

33. COMMITMENTS

As at 31st December, 2005 and 2006, the Company had no significant commitment.

As at 31st December, 2006, the Group had no significant commitment. 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 of RMB98,900,000, which was attributable to Nanjing Jinxin disposed of during the year.

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, trade and notes receivables, and other receivables, deposits and prepayments.

The Group's credit risk is primarily attributable to its trade receivables. The Group and the Company usually 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.

At the balance sheet date, all of the Group's borrowings were issued at fixed rates, thus exposing the Group to fair value interest-rate risk.

(d) Foreign exchange risk

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

Financial Summary

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 Note 1 below:

RESULTS

	Year ended 31st December,				
	2006	2005	2004	2003	2002
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
	(000)	*(000)*	*(000)*	*(000)*	*(000)*
TURNOVER	**388,526**	310,834	221,790	166,464	158,644
Cost of sales	**(290,623)**	(219,471)	(152,118)	(104,819)	(93,957)
Gross profit	**97,903**	91,363	69,672	61,645	65,047
Other revenue and gains	**5,720**	2,945	5,176	5,884	3,501
Distribution costs	**(30,716)**	(25,541)	(20,658)	(17,334)	(21,025)
Administrative expenses	**(37,544)**	(32,626)	(24,242)	(16,256)	(16,149)
Finance costs	**(11,560)**	(8,860)	(5,667)	(3,079)	(1,600)
Share of results of an associate	**—**	—	(375)	—	—
PROFIT BEFORE TAXATION	**23,803**	27,281	23,906	30,860	29,774
Income tax	**(6,620)**	(5,153)	(3,522)	(6,366)	(103)
PROFIT FOR THE YEAR	**17,183**	22,128	20,384	24,494	29,671
ATTRIBUTABLE TO:					
Equity holders of the Company	**19,001**	19,873	18,478	24,500	29,687
Minority interest	**(1,818)**	2,255	1,906	(6)	(16)
	17,183	22,128	20,384	24,494	29,671

ASSETS AND LIABILITIES

	31st December,				
	2006	2005	2004	2003	2002
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
	(000)	*(000)*	*(000)*	*(000)*	*(000)*
Non-current assets	**217,147**	234,689	238,770	167,121	140,477
Current assets	**323,335**	286,806	214,500	173,143	47,552
Current liabilities	**(233,884)**	(204,828)	(179,173)	(103,847)	(39,512)
Net current assets	**89,451**	81,978	35,327	69,296	8,040
Non-current liabilities	**—**	(25,400)	(995)	(1,200)	(52,667)
Net assets	**306,598**	291,267	273,102	235,217	95,850

Note:

1. The consolidated balance sheets as at 31st December ,2002 is extracted from the prospectus of the Company dated 31st October, 2003. The consolidated balance sheets as at 31st December, 2004 and 2003 are extracted from the published annual report for the year ended 31st December, 2004. The consolidated balance sheets of the Group as at 31st December, 2006 and 2005 are as set out on pages 30 to 31 of the annual report.