大賀傳媒股份有限公司
DAHE MEDIA CO., LTD.*

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

ANNUAL REPORT [2007]

智慧戶外
速效傳播

DAHE MEDIA CO., LTD.

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

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

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

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

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

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

  

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Corporate Information

BOARD OF DIRECTORS

Executive directors
HE Chaobing
YANG Jianliang

Non-executive directors
LI Huafei
CHAN E Nam Viveca
HE Lianyi

Independent non-executive directors
QIAO Jun
LI Yijing
SHEN Jin

AUDIT COMMITTEE
QIAO Jun
LI Yijing
SHEN Jin

COMPANY SECRETARY
Tam Chi Wan

AUTHORISED REPRESENTATIVES
HE Chaobing
Yang Jianliang

COMPLIANCE OFFICER
HE Chaobing

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

PRINCIPAL PLACE OF BUSINESS
5th Floor
Jardine House
1 Connaught Place
Hong Kong

AUDITOR
Shu Lun Pan 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
46th Floor Hopewell Centre
183 Queen's Road East
Hong Kong

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

STOCK CODE
8243


Financial Highlights and Calendar

For the year ended 31st December, 2007
(Expressed in Renminbi)

	2007 *RMB'000*	2006 *RMB'000*
Revenue		
Turnover	**324,294**	388,526
Profitability		
Profit from operations	**38,395**	35,363
Profit attributable to shareholders	**20,608**	19,001
Net Worth		
Shareholders' funds	**290,963**	272,845
Per share		
Basic earnings per share (RMB)	**2.5 cents**	2.3 cents
Net assets attributable to equity holders of the Company per share (RMB)	**35.06 cents**	32.87 cents

FINANCIAL CALENDAR

Results for the year	Announcement on 26th March, 2008
Annual report	Dispatched to shareholders in late March 2008
Annual general meeting	20th May, 2008

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 the annual report of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2007.

BUSINESS REVIEW

The Group is mainly engaged in media end production and dissemination, including the design, planning, end production and dissemination of advertisement and advertising agency. The Group's business has successfully transformed from pure jet painting product to terminal all-around services, and has formed the largest professional network in China for the provision of one-stop terminal design, manufacturing execution and management service. Further, in advertisement dissemination, the Group also has the capability for providing nation-wide multi-media, procurement and sales services.

For the year ended 31st December, 2007, the Group's turnover was approximately RMB324,290,000, representing a decrease of approximately 16.53% over the same period last year, such a decrease was mainly due to the Group's ceasing its television advertising agency business in 2007. Profit attributable to shareholders amounted to approximately RMB20,610,000, representing an increase of approximately 8.45% over the same period last year. Turnover of the year derived mainly from outdoor media dissemination business, which contributed an aggregate amount of RMB180,610,000 (2006: RMB245,260,000), accounting for approximately 56% of the total turnover. In addition, the Group's media design and production business continued to maintain its leading position in the industry. As at 31st December, 2007, turnover from media production business was approximately RMB143,680,000 (2006: RMB143,260,000), approximately the same as compared to the same period last year. Currently, the Group has outdoor media dissemination resources of approximately 200,000 square metres and has extended its business to 64 cities in China. During the period, the average launching rate of the Group's outdoor media was approximately 70%, approximately the same as compared to the same period last year. At present, the demand for outdoor advertisement is growing fast in China, boosting the Group's business development and revenue. As a result, the Group reported satisfactory revenue during the year under review.

During the year under review, the group had approximately 4,800 "An Kang Advertising Board" projects, which were mainly located in the entrances of major residential areas in Beijing, Shanghai, Nanjing and Guangzhou. The customers of "An Kang Advertising Board" comprise players in various sectors, such as finance, insurance, real-estate and instant consumables, the famous ones of which include Wang Laoji, Pingan Insurance and Suning Electric Appliance. During the period, this business segment generated a turnover of approximately RMB19,510,000 for the Group.

During the year under review, the Group cooperated with the Modern Express of Xinhua News Agency to establish the An Kang Advertising Board Electronic Reporting Team. Exclusive news provided by the Modern Express of Xinhua News Agency are displayed on the electronic advertising board of "An Kang Advertising Board", providing real-time renewed information to the residents of the various areas, thereby adding values to the advertising board and making it a convenient source of information to the residents.


During the year, in light of the ever-changing market, the Group adjusted its operation strategy and restructured the original outdoor media group and the dissemination production group to establish the Dahe Operation Group, which is headquartered in Shanghai, the most dynamic city in China. The newly established Dahe Operation Group has accomplished the expected results in customer services and business integration. The Group has branches in more than 30 cities in China to satisfy the demand for advertising purchases in China and to provide zero distance services. Apart from leasing advertising spaces, the Group also provides design, production and dissemination services. Such "one-stop" services have enhanced the service quality as well as the competitiveness of the Group. Currently, the Group has 13 media terminal production branches in China offering services of jet painting, portrait painting, printing, displays, neon tools, exhibition displays, etc. for shopping mall terminals. On the basis of superb quality, excellent integration of resources and outstanding media procurement capabilities, the Group strives to become the leading supplier of outdoor media integrated solutions in China.

During the year, the Group entered into advertisement production agreements and agency intents on outdoor advertisement with a number of enterprises, demonstrating the Group's strength was further enhanced and the diversified services level was improved. During the year, a number of Top 500 enterprises in the world entered into cooperation with the Group, such as Walmart, Shell and Amway, etc.

During the year, a subsidiary of the Group, Chongqing Dahe Bashu Media Co., Ltd., entered into liquidation. The Group is actively cooperating with the liquidation group for the early completion of the liquidation.

OUTLOOK

The Beijing Olympics is scheduled to be held in 2008. Major brands are desiring to take this opportunity to exhibit their brands in front of billions of audiences so to increase the international awareness of the brandname. The Group has captured this opportunity to enter into advertisement contracts with different reputable customers, laying foundation for outdoor media dissemination, so to be prepared for the unlimited opportunities. Meanwhile, due to the business opportunities in relation to the Olympic Games, the Group's existing customers engaging in sports products, such as NIKE, Li Ning and KAPPA, are expected to increase advertising applications budget in 2008, which will directly contribute to the increase in the Group's revenue.

Besides continuing to explore cross-regional advertising media network, the Group will continue to boost its existing business and proactively explore for new outdoor media business, in particular the "An Kang Advertising Board" project. The Group plans to install approximately 5,000 new express boards in 2008, covering a total of 8,000 prime communities in 12 major cities all over the country, which are expected to generate remarkable revenue to the Group. Currently, major customers such as Wang Laoji and Guangfa Bank have placed substantial orders for advertisements in "An Kang Advertising Board" in 2008. The Group expects that the "Campus Advertising Board" in universities and colleges will also witness a strong growth.

For An Kang Advertising Board which aims at building up a media of lofty life style, the Group will reinforce its investment in technological development and apply high-tech to the transmission of the contents of advertisement and media display, and continuously develop service items closely related to life styles of people to open new sources of profit growth in 2008.



In order to further expand business platform, improve service quality and asset scale, reinforce corporate governance system, solicit reputable customers at home and abroad, produce and lease more multi-media system advertisements, the Group will actively seek for international strategic cooperation partners. In February 2008, the Group entered into a cooperation agreement with MediaCorp Pte Ltd. ("MediaCorp"), a wholly-owned subsidiary of Temasek Holdings (Private) Limited. Apart from replenishing the liquidity of Dahe Media through capital contribution, MediaCorp can also support the Company's vision to expand into overseas market and is capable of providing technical advice and support to the Company and Ankang. The Company will engage MediaCorp as its agent to conduct marketing and sales activities outside and within the PRC in respect of outdoor advertising spaces. It is expected that MediaCorp's joining will further enhance, the Company's corporate governance and improve the Group's reputation.

ACKNOWLEDGMENT

I would like to take this opportunity to thank all the employees and management for their contributions and efforts to the Group's success, and would like to express thanks to our customers for their continuous support for the Group's products and services and our shareholders for their trust and support.

By Order of the Board
He Chaobing
Chairman

Nanjing, 26th March, 2008


BUSINESS OVERREVIEW

For the year ended 31st December, 2007, the Group's turnover was approximately RMB324,290,000, representing a decrease of approximately 16.53% over the same period last year. During the period, profit attributable to shareholders amounted to approximately RMB20,610,000, representing an increase of approximately 8.45% over the same period last year. The basic earnings per share was approximately RMB0.025.

During the period under review, a subsidiary of the Group, Chongqing Dahe Bashu Media Co., Ltd., entered into liquidation and a liquidation group was established, hence, the company was not included in the financial data of the year. The Group is actively cooperating with the liquidation group, in order to complete the liquidation as soon as possible and safeguard the interests of shareholders.

Media production business

During the year under review, the media production business generated an aggregate turnover of RMB143,680,000, accounting for approximately 44% of the total and approximately the same as compared to the same period last year. The Group's business has successfully transformed from jet painting to end production. During the period, the Group had secured businesses from new Walmart supermarkets and the speciality shops of Shell as well as Jinliufu's jet painting production projects of nearly over 70,000 square metres in China, and jointly built "Magic exhibit booths " for 200 shopping malls in China with the renowned home appliance manufacturer Midea Electric. In addition, the Group has formed intention for cooperation with a number of $10 million-grade new clients, and occupied a leading position in the outdoor advertisement production industry.

Media dissemination business

For the year ended 31st December, 2007, the media dissemination business generated an aggregate turnover of RMB180,610,000, representing a decrease of approximately 26% over the same period last year and accounting for approximately 56% of the total. The decrease in turnover was mainly due to the Group ceased its television advertising agency business in 2007. On top of the previous dissemination businesses, the Group has also obtained the "Magnificent roadshow activity for the celebration of Beijing Olympics" and "Xian Terra-Cotta Warrior Bar Business" of Wang Laoji, which has generated approximately RMB10,000,000 revenue to the Group.

Currently, the Group owns outdoor media dissemination resources of approximately 200,000 square metres and the production volume of various outdoor media of the Group occupies a leading position in terms of domestic market share. The Group had extended its business to 64 cities in China, resulting in further expansion of the Group's advertising coverage rate. During the period, the average launching rate for the Group's outdoor media was approximately 70%, approximately the same as compared to the same period of the previous year.

During the period, "An Kang Advertising Board" was further promoted. For the year ended 31st December, 2007, "An Kang Advertising Board" project has been fully promoted in 4 cities. The Group currently has a total of 4,800 "An Kang Advertising Board" billboards, which are located at the entrances of the major residential communities in Beijing, Shanghai, Nanjing and Guangzhou. During the period, there were franchisees in 11 additional cities who joined the An Kang Project, with contracted amount of RMB44,300,000. As the cooperation partner of "An Kang Advertising Board" is China Children and Teenagers' Fund, this project had brought high returns to the Group, and had created a positive and charitable image for the Group, enhancing the Group's social image and public awareness.

CUSTOMER BASE

Currently, the Group has a total of more than 6,000 customers, who are renowned domestic and foreign enterprises from various industries, including consumer products, telecommunications, home appliances, information technology, foods and beverages, automobiles and petroleum, etc. Existing customers include NIKE, Li Ning, Shell, Amway, Walmart, Midea, Kentucky Fried Chicken, China Unicom, Chery Automobile, etc. The Group is also soliciting high-end and quality customers in order to enhance the Group's customer base and the Group's income.

During the period under review, the Group had entered into an agreement with Jinliufu and had secured its jet painting production projects of nearly over 70,000 square metres in China. The Group had also entered into a 20-year "Media Strategic Partnership Agreement" with Shanghai Topstar Hotel chain and jointly built "Magic exhibit booths" for 400 shopping malls in China with the renowned home appliance manufacturer Midea Electric. In addition, the Group had entered into contract with Walmart, by which the Group shall be responsible for the production of the advertising boards and external walls of its new supermarkets. During the period, the Group had carried out packaging production services for 60 elite outlets of Shell together with brand building services for Shell.

In addition, the Group had also entered into cooperation agreements with each of the famous enterprises in China, including Skyworth, Shell, Amway, DuPont Property Insurance and Suning Appliance. During the reporting period, the Group had entered into a contract in an amount of RMB2,000,000 with Skyworth for the provision of outdoor media dissemination services to it, and had entered into a contract in an amount of RMB9,570,000 with DuPont Property Insurance for outdoor advertisement dissemination.

While performing outdoor media applications in "six provinces and one city" in China for Amway, the Group was also granted to be the outdoor agent supplier in the northern and southern areas of Amway, and became the first supplier responsible for Amway's outdoor media all cross China since its accession into China, which will bring a revenue of more than RMB 2,500,000 in 2008.

The Group will continue to build a media dissemination network covering the communities across China. It is expected the total area of the media dissemination network in future will exceed 500,000 square metres.

AWARDS AND HONOURS

Being one of the top tier advertising enterprises in China, the Group's quality advertisements, diversified services and excellent performance in the advertising industry have been recognized by fellow enterprises as well as professional bodies.

During the period under review, the Group had consecutively received recognitions and awards from various organizations in the industry. On 18th January, 2007, Dahe Media Co., Ltd. was awarded two special honours, namely being named in the "2007 Forbes China 100 Top Potential Forces" list and the "An Kang Advertising Board" being awarded "The Chinese Media of Highest Investment Value". In addition, the Group was awarded the special honour of "The Most Influential Advertising Firm for Brand Building in China" at the annual "Global Brand Forum 2007" conference which was likened to the Oscar Award in branding. Mr. He Chaobing, the Group's Chairman, was crowned with the honour of "The Most Influential Advertising Campaigner for Brand Building in China" at the same annual conference and was elected as the vice president of China Advertising Association.


DIVIDEND

The Board has recommended a final dividend of RMB0.0067 (inclusive of tax) per share for the year ended 31st December, 2007 (2006: final and special dividends of RMB0.003 per share). Subject to the approval by an ordinary resolution at a general meeting, the dividend will be paid to shareholders whose names appear on the Register of Members of the Company on 19th April, 2008.

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 Shanghai Daxi Advertising Co., Ltd. to an independent third party. The Group has ceased to consolidate the interests in Shanghai Daxi Advertising Co., Ltd. since 1st December, 2007. The disposal will not cause any material 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 its existing operations and at same time identify new business opportunities that can supplement and strengthen the existing operations.

As of 31st December, 2007, 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, 2007, trade and other payables increased to RMB26,322,000 from RMB21,723,000 in 2006. Trade and other receivables decreased to RMB84,841,000 from RMB120,400,000 in 2006.

As at 31st December, 2007, bank balance and cash held by the Group amounted to RMB171,250,000; bank loans and other loans of the Group amounted to RMB190,000,000. Debt-Equity Ratio was 61.27%, being the percentage of bank loans over net assets of RMB310,080,000.

Profits attributable to shareholders were RMB20,610,000, an increase of 8.45% as compared with RMB19,000,000 for the last year.

SALES, GENERAL AND ADMINISTRATIVE EXPENSES

In 2007, sales, general and administrative expenses were approximately RMB70,880,000. In 2006, it was approximately RMB68,260,000.

FINANCE COST

In 2007, finance cost was approximately RMB10,960,000. In 2006, it was approximately RMB11,560,000.

TAXATION

As the Group is qualified as a new and high technology enterprise, the applicable income tax rate was 15%. Income tax for 2007 was approximately RMB6,630,000, and in 2006 it was approximately RMB6,620,000.

MINORITY INTERESTS

As at 31st December, 2007, minority interests amounted to RMB19,120,000. In 2006, it was approximately RMB33,750,000.

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 RMB73,520,000, and net assets were approximately RMB310,080,000. In 2006, they were RMB89,450,000 and RMB306,600,000 respectively.

MATERIAL LITIGATION

During the period under review, Chongqing Dahe Basu Media Co., Ltd., a subsidiary of the Group, entered into liquidation on 15th May, 2007 and a liquidation committee was established. Details of the liquidation were disclosed in the announcements of the Group dated 26th July, 2007, 21st September, 2007 and 27th September, 2007. It is unable to obtain the complete set of books and records for the period between 1st January, 2007 and 14th May, 2007 and as of the date of this report. Liquidation team led by the PRC liquidator has not released any sufficient reliable financial information of Dahe Basu for the current year to the directors of the Company, no impairment allowance has been made accordingly. Save as above, the Group or any of its subsidiaries was not involved in any material litigation or arbitration.

EMPLOYEES

As at 31st December, 2007, the Group has a total of 1,200 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, 2007, the Group had no material contingent liabilities.


Report of the Directors

The Directors present their annual report for 2007 together with the Group's audited financial statements for the year ended 31st December, 2007.

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.

DESCRIPTION OF THE DIRECTORS ABOUT AUDIT OPINION

The Directors have discussed and accepted the independent auditor's report prepared by Shu Lun Pan Horwath Hong Kong CPA Limited for the Group containing certain qualified opinions.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 31.

The Board has recommended a final dividend of RMB0.0067 (inclusive of tax)per share for the year ended 31st December, 2007 with an aggregate amount of RMB5,561,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest customer and the five largest customers accounted for approximately 5% and 17% respectively of the Group's turnover.

During the period under review, the Group's largest supplier and five largest suppliers accounted for approximately 10% and 23% 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 Group's issued share capital had any beneficial interest in the Group'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 26 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 27 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31st December, 2007, the reserves of the Group available for cash distribution or distribution in specie amounted to approximately RMB208,362,000.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Group 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 (resigned on 26th February, 2008)
YANG Jianliang (appointed on 26th February, 2008)

Non-executive directors

LI Huafei
HE Lianyi
XU Xiang (resigned on 8th November, 2007)
CHAN E Nam Viveca

Independent non-executive directors

QIAO Jun
CHENG Zhiming (resigned on 8th November, 2007)
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 not entered into any service contract with the Company which is determinable by the Company within one year without any payment of compensation (other than certain compensation).

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, 2007.



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

As at 31st December, 2007, the interests and short positions of the directors and the supervisors of the Comapny (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 Rules 5.46 of the GEM Listing Rules were as follows:

Name of Director/ Supervisor *(note 1)*	**Company/ name of associated corporation**	**Capacity**	**Number and 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 of the persons named above are Directors, except Ms Wang Mingmei who is a Supervisor. Mr. Wang Weijie resigned as a director on 26th February, 2008.

2. The letter "L" denotes the Director's/Supervisor's long positions 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, 2007, none of the directors and the supervisors of the Company has any interests and short positions in the shares, underlying shares or 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 Rules 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, 2007, 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 Group *(note 4)*
Dahe International	Beneficial owner	405,200,000 domestic shares of RMB0.10 each (L)	69.86%	48.82%
He Chaobing	Interest of a controlled corporation *(note 2)*	405,200,000 domestic shares of RMB0.10 each (L)	69.86%	48.82%
Yan Fen	Interest of spouse *(note 3)*	405,200,000 domestic shares of RMB0.10 each (L)	69.86%	48.82%

Notes:

1. The letter “L” denotes the person’s/entity’s long positions in the domestic shares of the Company.

2. The interests in the domestic shares were held through Dahe International which was owned as to 90% by Mr. He Chaobing.

3. Ms. Yan Fen is the wife of Mr. He Chaobing and is deemed to be interested in the shares in which Mr. He Chaobing is interested under the provision of Divisions 2 and 3 of Part XV of the SFO.

4. Domestic shares and H Shares of the Company are treated as the same class of shares for such purpose.

  

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

As at 31st December, 2007, save for the persons/entities disclosed in sub-section A above, the following entities/persons had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Number and class of securities *(note 1)*	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the entire issued share capital of the Company *(note 3)*
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%
南京市生產力促進中心 (Nanjing Productivity Enhancement Centre)	Interest of a controlled corporation *(note 2)*	50,000,000 domestic shares of RMB0.10 each (L)	8.62%	6.02%
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 person/entity's long positions in the domestic shares of the Company.

2. The interests in the domestic shares will be held through Nanjing Hi-Tech Venture Capital Co., Ltd., the registered capital of which is owned as to 60% by南京市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 person/entity had interests or short positions in the shares and underlying shares of the Company as recorded on 31st December, 2007 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 29 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, 2007, 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

On 9th October, 2007, Horwath Hong Kong CPA Limited changed its name to Shu Lun Pan Horwath Hong Kong CPA Limited.

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

By Order of the Board

He Chaobing
Chairman

Nanjing, the PRC
26th March, 2008

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 2007. 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 2007.

The Supervisory Committee considers that resolutions of the Board meetings held in 2007 have better protected the interests of the Company, and the audit reports issued by Shu Lun Pan Horwath Hong Kong CPA Limited truly, objectively and accurately reflected the Group's and the Company's financial situations.

The Supervisory Committee is satisfied with the various tasks accomplished and progress of the Company in 2007, and is confident about the prospects of the Company's future developments.

By Order of the Supervisory Committee

Wan Mingmei
Chairman

Nanjing, the PRC,
26th March, 2008


DIRECTORS

Executive Directors

Mr. He Chaobing (賀超兵先生), aged 48, 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).

Mr. Yang Jianliang (楊建良先生), aged 42, 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 secretary of Board of Directors and vice President of the Group and a member of the Global Outdoor Audience Monitoring Outline Technology Committee (全球戶外受眾監測綱要技術委員會) and the Expert Consultants Committee of China Advertising Association. 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 and overlooking media operations. He has been responsible for the Group's strategy and investment since 2006.

Non-executive Directors

Mr. Li Huafei (李華飛先生), aged 44, 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 57, 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.

Ms. Chan E Nam Viveca (陳一枏女士), aged 53, 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 46, 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. Li Yijing (李一敬先生), aged 77, 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 50. 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 59, 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 36, 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 48, 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

Ms. Zhou Beibei (周蓓蓓女士), aged 31, 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.

Mr. Qin Chao (秦超先生), aged 54, 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).

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, 2007.

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	(resigned on 26th February, 2008)
YANG Jianliang	(appointed on 26th February, 2008)

Non-executive directors:

LI Huafei *(Vice Chairman)*	
HE Lianyi	
XU Xiang	(resigned on 8th November, 2007)
CHAN E Nam, Viveca	

Independent non-executive directors:

QIAO Jun	
CHENG Zhiming	(resigned on 8th November, 2007)
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 post of Chief Executive Officer of the Company is currently held by the Chairman, Mr. HE Chaobing. Once there are suitable candidates, the Company will consider the posts of Chairman of the Board and Chief Executive Officer be held by two separate individuals so as to comply with the requirements of the corporate governance.

(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 three 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, 2007
Directors:		
HE Chaobing		9/9
WANG Weijie	(resigned on 26th February, 2008)	4/9
Non-executive directors:		
CHAN E Nam, Viveca		9/9
LI Huafei		9/9
XU Xiang	(resigned on 8th November, 2007)	6/9
HE Lianyi		9/9
Independent non-executive directors:		
QIAO Jun		6/9
CHENG Zhiming	(resigned on 8th November, 2007)	6/9
LI Yijing		9/9
SHEN Jin		9/9
Number of meetings held during the relevant period		9

(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. Since 8 th November, 2007, due to the resignation of director, the Audit Committee comprises all three independent non-executive directors.

As at 31st December, 2007, 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, 2007
QIAO Jun *(Chairman)*	3/4
SHEN Jin	4/4
CHENG Zhiming (resigned on 8th November, 2007)	3/4
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, 2007, 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. As two directors resigned during the year, the members of the Remuneration Committee are: Mr. HE Chaobing, Mr. LI Yijing and Mr. SHEN Jin. Mr. HE Chaobing is the chairman of the Remuneration Committee.

As at 31st December, 2007, 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, 2007
WANG Weijie	(resigned on 26th February, 2008)	1/1
SHEN Jin		1/1
CHENG Zhiming	(resigned on 8th November, 2007)	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, 2007 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, 2007, the Group's external auditors provided the following services to the Group:

	2007
	HK$'000
Audit services	930



Independent Auditor's Report

Shu Lun Pan Horwath Hong Kong CPA Limited
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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 31 to 88, which comprise the consolidated and the Company balance sheets as at 31st December, 2007, 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 ("HKICPA") and the disclosure requirements of 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. 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.

BASIS FOR QUALIFIED OPINION

(1) As disclosed in note 2 to the financial statements, an application for liquidation of Chongqing Dahe Basu Media Co., Ltd. ("Dahe Basu"), a 60%-owned subsidiary of the Company up to 14th May, 2007, was made to a court in the People's Republic of China (the "PRC") during the year as a result of the dispute between the Company and the 40% equity owner of Dahe Basu (the "Minority Owner") in the operations of Dahe Basu. Pursuant to a PRC court order dated 15th May, 2007, a liquidation team (comprising representatives of the Company and the Minority Owner, and a PRC liquidator) was appointed. As of the date of this report, the liquidation has not been completed and the liquidation team led by the PRC liquidator has not released any sufficient reliable financial information of Dahe Basu of the current year to the directors of the Company.

Notwithstanding that Dahe Basu was a subsidiary of the Company for the period from 1st January, 2007 to 14th May, 2007 (the "Period"), the Minority Owner was responsible for the daily operations and preparation of part of certain books and records of Dahe Basu during the Period, and the Group had no access to the books and records of Dahe Basu for the purpose of obtaining the relevant financial information of Dahe Basu to consolidate its results for the Period into the Group's consolidated financial statements for the year. Accordingly, the Group de-consolidated the results and financial position of Dahe Basu from the Group's consolidated financial statements from 1st January, 2007, and accounted for the Group's investment in Dahe Basu as an available-for-sale financial asset. The Group's attributable share of the net assets of Dahe Basu as at 31st December, 2006 was deemed as the initial cost of the available-for-sale financial asset as from 15th May, 2007. Moreover, the Group has also recorded an amount due from Dahe Basu pursuant to the above de-consolidation of assets and liabilities of Dahe Basu.

The above non-consolidation of results of Dahe Basu for the Period in the Group's current year consolidated financial statements is not in accordance with the requirements of Hong Kong Accounting Standard 27 "Consolidated and Separate Financial Statements" ("HKAS 27") issued by the HKICPA. In our opinion, the results of Dahe Basu should be included in the consolidated income statement for the year ended 31st December, 2007 up to the effective date of disposal of 15th May, 2007, in accordance with the Group's accounting policy 3(c). In the absence of sufficient reliable financial information of Dahe Basu made available to us by the directors, there were no other satisfactory audit procedures that we could adopt to ascertain with reasonable accuracy the impact on the financial position and results of the Group caused by the exclusion of Dahe Basu's results for the Period from the current year consolidated financial statements of the Group.

(2) Since 15th May, 2007, Dahe Basu was no longer a subsidiary of the Company as the Company lost control over its financial and operating policies after Dahe Basu was subject to control of the liquidation team which was appointed by the PRC court on 15th May, 2007. In accordance with HKAS 27 and Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement", the carrying amount of the Group's interest in Dahe Basu (the Group's attributable share of net assets of Dahe Basu) at the date Dahe Basu ceased to be a subsidiary, i.e. 15th May, 2007 should have been recognised as the initial cost of an available-for-sale financial asset of the Group, which should be subsequently stated at cost less any impairment losses. However, as mentioned in (1) above, the directors were unable to obtain sufficient reliable financial information of Dahe Basu as at 15th May, 2007. Accordingly we were unable to carry out auditing procedures necessary to obtain reasonable assurance regarding the measurement of the Group's initial cost of the available-for-sale financial asset. There were no other satisfactory audit procedures that we could adopt to obtain sufficient appropriate evidence regarding the accuracy of the cost of the available-for-sale financial asset of the Group.



(3) As mentioned in (1) above, the directors were unable to obtain sufficient reliable financial information of Dahe Basu as at 31st December, 2007, and accordingly we were unable to carry out the audit procedures necessary to obtain reasonable assurance regarding the Group's and the Company's aggregate amounts due from Dahe Basu of approximately RMB1,506,000 and RMB177,000 respectively as at 31st December, 2007. There were no other satisfactory audit procedures that we could adopt to obtain sufficient appropriate evidence regarding the valuation of the carrying amount of the Group's and the Company's amounts due from Dahe Basu as at 31st December, 2007.

(4) No impairment provision was made by the management in respect of (i) the Group's and the Company's equity interest in Dahe Basu which was recognised as an available-for-sale financial asset with the carrying amount of approximately RMB19,922,000 and RMB20,394,000 respectively as at 31st December, 2007; and (ii) the Group's and the Company's amounts due from Dahe Basu of approximately RMB1,506,000 and RMB177,000 respectively as at 31st December, 2007. In the absence of reliable current financial information relating to the assets and liabilities of Dahe Basu made available to us by the directors, we are unable to satisfy ourselves as to whether any impairment provision is required for (i) the Group's and the Company's available-for-sale financial asset, and (ii) the Group's and the Company's amounts due from Dahe Basu, as at 31st December, 2007.

QUALIFIED OPINION ARISING FROM DISAGREEMENT ABOUT ACCOUNTING TREATMENT AND LIMITATION OF AUDIT SCOPE

Except for the effect on the consolidated financial statements of the matter described in the basis for qualified opinion paragraph (1) and any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence on the matters described in the basis for qualified opinion paragraphs (2) to (4), 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, 2007 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.

In respect alone of the limitation on our work set out in the basis for qualified opinion paragraphs of this report:

— we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

— we were unable to determine whether proper books of accounts have been kept.

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants
26th March, 2008
Chan Kam Wing, Clement
Practising Certificate number P02038


Consolidated Income Statement

For the year ended 31st December, 2007 (Expressed in Renminbi)

	Note	**2007** ***RMB'000***	2006 *RMB'000*
Turnover	5	**324,294**	388,526
Cost of sales		**(219,082)**	(290,623)
Gross profit		**105,212**	97,903
Other revenue and gain	6	**4,064**	5,720
Distribution costs		**(30,450)**	(30,716)
Administrative expenses		**(40,431)**	(37,544)
Operating profit	7	**38,395**	35,363
Finance costs	8	**(10,958)**	(11,560)
Profit before income tax		**27,437**	23,803
Income tax	9	**(6,634)**	(6,620)
Profit for the year		**20,803**	17,183
Attributable to:			
Equity holders of the Company	7	**20,608**	19,001
Minority interests		**195**	(1,818)
		20,803	17,183
Dividends	10	**8,051**	—
Earnings per share – Basic (RMB)	11	**0.025**	0.023

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

At 31st December, 2007 (Expressed in Renminbi)

	Note	2007 RMB'000	2006 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment property	13	**2,380**	—
Property, plant and equipment	14	**166,778**	192,276
Construction in progress	14	**23,579**	622
Land use right	15	**5,168**	5,284
Available-for-sale financial asset	16	**19,922**	—
Goodwill	17	**15,519**	15,519
Other intangible assets	18	**3,221**	3,446
		236,567	217,147
Current assets			
Inventories	20	**7,401**	9,783
Trade and note receivables	21	**74,316**	81,450
Other receivables, deposits and prepayments	22	**44,065**	69,074
Amount due from holding company	29(c)	**—**	1,631
Amount due from a former subsidiary	16	**1,506**	—
Amounts due from related companies	29(d)	**55,863**	48,828
Bank balances and cash and pledged bank deposits	23	**171,247**	112,569
		354,398	323,335
Current liabilities			
Bank borrowings, secured	24	**190,000**	175,000
Trade payables	25	**21,345**	17,927
Other payables, deposits received and accruals		**6,545**	10,470
Deferred advertising income		**27,293**	20,862
Amount due to holding company	29(c)	**25,754**	—
Amounts due to related companies	29(e)	**445**	532
Other tax payables		**3,669**	4,117
Current tax liabilities		**5,830**	4,976
		280,881	233,884
Net current assets		**73,517**	89,451
Net assets		**310,084**	306,598


Consolidated Balance Sheet (Continued)

At 31st December, 2007 (Expressed in Renminbi)

	Note	2007 *RMB'000*	2006 *RMB'000*
CAPITAL AND RESERVES			
Share capital	26	**83,000**	83,000
Reserves		**207,963**	189,845
Equity attributable to equity holders of the Company		**290,963**	272,845
Minority interests		**19,121**	33,753
Total equity		**310,084**	306,598

These financial statements were approved and authorised for issue by the board of directors on 26th March, 2008

He Chaobing	**Yang Jianliang**
Director	*Director*

The accompanying notes form part of these financial statements.

Balance Sheet

At 31st December, 2007 (Expressed in Renminbi)

	Note	2007 RMB'000	2006 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment property	13	**2,380**	—
Property, plant and equipment	14	**106,456**	117,926
Construction in progress	14	**—**	622
Land use right	15	**5,168**	5,284
Available-for-sale financial asset	16	**20,394**	—
Other intangible assets	18	**1,500**	1,600
Investments in subsidiaries	19	**63,625**	86,876
		199,523	212,308
Current assets			
Inventories	20	**4,744**	7,568
Trade and note receivables	21	**44,419**	54,133
Other receivables, deposits and prepayments	22	**21,820**	19,530
Amounts due from subsidiaries	19	**36,231**	47,443
Amount due from holding company	29(c)	**—**	1,807
Amount due from a former subsidiary	16	**177**	—
Amounts due from related companies	29(d)	**55,316**	36,215
Bank balances and cash and pledged bank deposits	23	**161,193**	100,578
		323,900	267,274
Current liabilities			
Bank borrowings, secured	24	**190,000**	175,000
Trade payables	25	**13,186**	8,619
Other payables, deposits received and accruals		**19,758**	5,137
Deferred advertising income		**—**	10,399
Amounts due to subsidiaries	19	**2,522**	1,356
Amount due to holding company	29(c)	**80**	—
Amounts due to related companies	29(e)	**234**	232
Other tax payables		**2,320**	2,424
Current tax liabilities		**3,961**	2,793
		232,061	205,960
Net current assets		**91,839**	61,314
Net assets		**291,362**	273,622


	Note	2007 *RMB'000*	2006 *RMB'000*
CAPITAL AND RESERVES			
Share capital	26	**83,000**	83,000
Reserves	27	**208,362**	190,622
Total equity		**291,362**	273,622

These financial statements were approved and authorised for issue by the board of directors on 26th March, 2008

He Chaobing
Director

Yang Jianliang
Director

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2007 (Expressed in Renminbi)

	Attributable to equity holders of the Company							
			PRC statutory funds					
	Share capital	Share premium and capital reserves	Statutory surplus reserve	Staff welfare reserve	Retained profits	Total reserves	Minority interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 26)		*(note 27(i))*	*(note 27(ii))*				
Balance at					**(a)**			
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)
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 and 1st January, 2007	**83,000**	**95,914**	**18,260**	**—**	**75,671**	**189,845**	**33,753**	**306,598**
Dividends declared and paid	—	—	—	—	(2,490)	(2,490)	—	(2,490)
Profit for the year	—	—	—	—	20,608	20,608	195	20,803
Appropriations from retained profits	—	—	2,378	—	(2,378)	—	—	—
Release from disposal and liquidation of subsidiaries	—	—	(983)	—	983	—	—	—
Acquisition of additional equity interest of a subsidiary from a minority equity holder	—	—	—	—	—	—	(689)	(689)
Disposal and liquidation of subsidiaries	—	—	—	—	—	—	(14,138)	(14,138)
Balance at 31st December, 2007	**83,000**	**95,914**	**19,655**	**—**	**92,394**	**207,963**	**19,121**	**310,084**

(a) The proposed final dividend for the year ended 31st December, 2007 and balance of retained profits after proposed final dividend were approximately RMB5,561,000 and RMB86,833,000 respectively.

The accompanying notes form part of these financial statements.


Consolidated Cash Flow Statement

For the year ended 31st December, 2007 (Expressed in Renminbi)

	Note	2007 *RMB'000*	2006 *RMB'000*
Operating activities			
Profit before income tax		**27,437**	23,803
Adjustments for:			
Interest income		**(680)**	(1,067)
Interest expense		**10,523**	11,508
Depreciation		**31,652**	39,716
Amortisation of other intangible assets and land use right		**341**	340
Gain on disposal of a subsidiary	28	**(497)**	(2,206)
Loss on disposal of property, plant and equipment		**374**	683
Allowance for bad and doubtful debts		**4,596**	2,980
Allowance for obsolete inventories		**194**	315
Operating cash flows before working capital changes		**73,940**	76,072
(Increase)/decrease in inventories		**(2,911)**	1,982
Increase in trade and note receivables		**(804)**	(44,325)
Decrease in other receivables, deposits and prepayments		**18,621**	11,044
Decrease in amount due from holding company		**1,631**	599
Increase in amounts due from related companies		**(20,387)**	(5,861)
Increase in trade payables		**6,298**	4,392
Increase/(decrease) in other payables, deposits received and accruals		**3,552**	(1,543)
Increase in deferred advertising income		**6,431**	2,222
Increase in amount due to holding company		**25,754**	—
Decrease in amounts due to related companies		**(87)**	(1,599)
(Decrease)/increase in other tax payables		**(448)**	1,775
Cash generated from operations		**111,590**	44,758
Interest paid		**(10,523)**	(11,160)
PRC income tax paid		**(5,633)**	(3,251)
Net cash generated from operating activities carried forward		**95,434**	30,347

Consolidated Cash Flow Statement (Continued)

For the year ended 31st December, 2007 (Expressed in Renminbi)

	Note	2007 RMB'000	2006 RMB'000
Net cash generated from operating activities brought forward		**95,434**	30,347
Investing activities			
Acquisition of property, plant and equipment		**(23,769)**	(23,067)
Proceeds on disposal of property, plant and equipment		**1,076**	173
Release of pledged bank deposits		**1,000**	9,000
Payments for construction in progress		**(23,579)**	(622)
Disposal and liquidation of subsidiaries	28	**(2,985)**	8,601
Interest received		**680**	1,067
Acquisition of additional equity interest of a subsidiary		**(689)**	—
Net cash used in investing activities		**(48,266)**	(4,848)
Financing activities			
Proceeds from new bank borrowings		**190,000**	175,000
Repayment of bank borrowings		**(175,000)**	(180,000)
Dividends paid		**(2,490)**	(4,797)
Capital contributions from minority shareholders		—	3,037
Net cash generated from/(used in) financing activities		**12,510**	(6,760)
Net increase in cash and cash equivalents		**59,678**	18,739
Cash and cash equivalents at beginning of year		**91,569**	72,830
Cash and cash equivalents at end of year		**151,247**	91,569
Analysis of cash and cash equivalents			
Bank balances and cash		**171,247**	112,569
Less: Pledged bank deposits	23	**(20,000)**	(21,000)
		151,247	91,569

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 (the "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 leasing 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), a company established in the PRC.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

An application for the liquidation of Chongqing Dahe Basu Media Co., Ltd. ("Dahe Basu"), a 60%-owned subsidiary of the Company up to 14th May, 2007, was made to a PRC court during the year as a result of the dispute between the Company and the 40% equity owner of Dahe Basu (the "Minority Owner") in the operations of Dahe Basu. Pursuant to a PRC court order dated 15th May, 2007, a liquidation team (comprising representatives of the Company and the Minority Owner, and a PRC liquidator) was appointed by the PRC court on 15th May, 2007. The liquidation team is responsible for reporting the results of liquidation of Dahe Basu to the PRC court and was authorised by the PRC court to, among others, retain all books and records of Dahe Basu, prepare its financial statements, and manage and realise the assets of Dahe Basu for liquidation purpose. As of the date of this report, the liquidation has not been completed and the liquidation team led by the PRC liquidator has not released any sufficient reliable financial information of Dahe Basu of the current year to the directors of the Company.

Notwithstanding that Dahe Basu was a subsidiary of the Company for the period from 1st January, 2007 to 14th May, 2007 (the "Period"), the Minority Owner was responsible for the daily operations and preparation of part of certain books and records of Dahe Basu during the Period, and the Group had no access to the books and records of Dahe Basu for the purpose of obtaining the relevant financial information of Dahe Basu to consolidate its results for the Period into the Group's consolidated financial statements for the year. Accordingly, the Group de-consolidated the results and financial position of Dahe Basu from the Group's consolidated financial statements from 1st January, 2007, and accounted for the Group's investment in Dahe Basu as an available-for-sale financial asset. The Group's attributable share of the net assets of Dahe Basu as at 31st December, 2006 was deemed as the initial cost of the available-for-sale financial asset as from 15th May, 2007. Moreover, the Group has also recorded an amount due from Dahe Basu pursuant to the above de-consolidation of assets and liabilities of Dahe Basu.

No impairment allowance was made by the directors in respect of (i) the Group's and the Company's equity interest in Dahe Basu which was recognised as an available-for-sale financial asset with the carrying amount of approximately RMB19,922,000 and RMB20,394,000 respectively as at 31st December, 2007; and (ii) the Group's and the Company's amounts due from Dahe Basu of approximately RMB1,506,000 and RMB177,000 respectively as at 31st December, 2007. In the opinion of the directors, there was no sufficient reliable financial information available for accessing the impairment on the above assets of the Group and the Company as at 31st December, 2007, and no allowance was made accordingly.

(Expressed in Renminbi)



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 Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the departure from the requirements of HKAS 27 "Consolidated and Separates Financial Statements" as disclosed in note 2 to the financial statements. 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, as modified for the revaluation of an investment property which is carried at fair value.

(b) Adoption of new and revised HKFRSs

In the current year, the Group has adopted all of the new and revised HKFRSs that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The impact of the adoption of HKFRS 7 "Financial Instruments: Disclosures" and HKAS 1 Amendment "Capital Disclosures" has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

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

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1st January, 2009
HKAS 23 (Revised)	Borrowing Costs	1st January, 2009
HKFRS 8	Operating Segments	1st January, 2009
HK(IFRIC) – Int 11	HKFRS 2 – Group and treasury share transactions	1st March, 2007
HK(IFRIC) – Int 12	Service concession arrangements	1st January, 2008
HK(IFRIC) – Int 13	Customer loyalty programmes	1st July, 2008
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1st January, 2008

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


3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) 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 in full 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 interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests 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.

(d) 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 business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Goodwill

Goodwill arising on acquisition of a subsidiary 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 allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other asset of the 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.

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

(f) 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	40 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 14 years
Furniture, fixtures and equipment	5 to 10 years
Motor vehicles	6 years

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment (Continued)

With effect from 1st January, 2007, following a reappraisal of the estimated useful lives of the items of property, plant and equipment, the estimated entire useful lives of (i) buildings with net book value of approximately RMB36,350,000 as at 1st January, 2007 increased from 20 to 40 years; (ii) outdoor advertising displays with net book value of approximately RMB14,929,000 as at 1st January, 2007 increased from 6 to 10 years, which were shorter than the respective terms of the relevant advertising right contracts; and (iii) production equipment with net book value of RMB9,537,000 as at 1st January, 2007 increased from 10 to 14 years. The changes in estimated useful lives resulted in an aggregate decrease of approximately RMB3,423,000 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 or loss.

(g) Construction in progress

Construction in progress is stated at cost, which includes the professional fees 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 respective accounting policy of depreciation.

(h) Investment property

Investment property, which is a property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in fair value of investment property are included in profit or loss for the period in which they arise.

(i) 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 acquired outright by the Group which the Group has the right of transfer are capitalised as intangible assets. Other contracts obtained by the Group are accounted for as operating leases of advertising rights.

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

Amortisation is charged on a straight-line basis over the agreed period of use of the advertising rights, starting from the date of the commercial use of the advertising rights, with the effect of any changes in estimate being accounted for on a prospective basis.

(j) 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. In assessing control, potential voting rights that presently are exercisable are taken into account.

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)

(k) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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 profit or loss.

(l) 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.


3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. During the year, the Group's financial assets are classified as loans and receivables and available-for-sale financial asset. These financial assets are subsequently accounted for as follows, depending on their classification:

(i) Loans and receivables

Trade and note receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Available-for-sale financial assets

Investment in securities which do not fall into financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables are classified as available-for-sale financial asset. Available-for-sale financial asset that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is recognised in the balance sheet at cost less any impairment losses.

Dividends on available-for-sale financial asset are recognised in profit or loss when the Group's right to receive the dividends is established.

(iii) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) Financial assets (Continued)

(iii) Impairment of financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– for unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– for trade and other current receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.


3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) Financial assets (Continued)

***(iii) Impairment of financial assets** (Continued)*

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade, and note receivable and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and note receivables and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds.



3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Financial liabilities and equity instrument issued by the Group

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(iii) Financial liabilities

The Group's financial liabilities, including bank borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method (note 3 (m)), with interest expense recognised on an effective yield basis.

(iv) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.


3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) 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.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(q) 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 right is stated at cost less accumulated amortisation and any impairment losses.



3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Government subsidies

Government subsidies are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received.

Government subsidies whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government subsidies are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government subsidies that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(s) Taxation

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

(i) Current 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.

(ii) Deferred tax

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.

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 arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.


3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(s) Taxation(Continued)

(ii) Deferred tax*(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

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.

(t) 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 Company, 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.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period.

(u) Employees' benefits

(i) Short term benefits

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 profit or loss in the period in which they fall due. The Group has no further payment obligations once the contributions have been paid.

(v) Borrowing costs

All borrowing costs are charged to profit or loss in the period in which they are incurred.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(w) 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.

i) Revenue from production of printed posters and signages and sale of electronic media products 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 advertisements 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) Government subsidies are recognised when the right to receive such subsidies is established and receipt thereof is probable.

v) Interest income is recognised on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

vi) Rental income from operating leases is recognised in equal instalments over the accounting periods covered by the lease term.

(x) 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 equity owners 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 JUDGMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY

(a) Judgments

In the process of applying the Group's accounting policies, management has made the judgments in relation to impairment of assets apart from those involving estimation as discussed in notes 3(e) and 3(k) to these financial statements, 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 judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect 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.

(b) Key sources of 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 certain items of property, plant and equipment.

i) 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.

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

5. TURNOVER

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

	2007 *RMB'000*	2006 *RMB'000*
Outdoor advertisement design and production fees:		
– Printed posters	**131,557**	109,279
– Signages	**7,054**	29,596
– Electronic media products	**4,833**	3,713
– Sale of lamps for outdoor advertisement	**234**	674
Income from dissemination of outdoor and media advertisements		
– Advertising sites income	**146,406**	202,654
– Others	**33,182**	40,960
Franchise fee income	**1,028**	1,650
	324,294	388,526

The turnover, operating profit and assets 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

	Note	2007 *RMB'000*	2006 *RMB'000*
Gain on disposal of a subsidiary	28	**497**	2,206
Government subsidies *(Note)*		**2,009**	1,915
Interest income		**680**	1,067
Rental income	29(a)(ii) & 30	**240**	240
Others		**638**	292
		4,064	5,720

Note: The Group received various cash grants from the Nanjing Economy and Technology Development Zone Management Committee and Gaochun Technology Improvement Fund 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 30% to 50% (2006: 21% to 70%) of business or local tax paid.


7. OPERATING PROFIT AND PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	2007	2006
	RMB'000	*RMB'000*
Operating profit is arrived at after charging the following:		
Cost of inventories *(Note)*	**110,444**	102,020
Cost of services *(Note)*	**108,638**	188,603
Auditors' remuneration	**930**	860
Depreciation	**31,652**	39,716
Amortisation of land use right	**116**	115
Amortisation of other intangible assets	**225**	225
Allowance for bad and doubtful debts, net	**4,596**	2,980
Allowance for obsolete inventories (included in cost of sales)	**194**	315
Exchange losses, net	**327**	470
Loss on disposal of property, plant and equipment	**374**	683
Employee benefit expenses (excluding directors' and supervisors' remuneration *(note 12(a) and (b))*		
– Salaries, bonus and allowances	**25,800**	29,126
– Retirement benefit scheme contributions	**1,860**	1,382

Note: Cost of inventories and cost of services included approximately RMB17,495,000 (2006: RMB20,305,000) and RMB 1,205,000 (2006: RMB1,336,000) respectively relating to staff costs, depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above.

The consolidated profit attributable to equity holders of the Company includes a profit of approximately RMB20,230,000 (2006: profit of RMB22,323,000) (note 27) which has been dealt with in the financial statements of the Company.

8. FINANCE COSTS

	2007 *RMB'000*	2006 *RMB'000*
Interest expenses on bank loans wholly repayable within five years	**10,523**	11,508
Bank charges	**435**	52
	10,958	11,560

9. INCOME TAX

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

Pursuant to the relevant laws and regulations in the PRC, the Company, being qualified as a new and high technology enterprise and registered in a high technology zone, is eligible for a preferential EIT rate of 15% for the year ended 31st December, 2007 (2006: 15%).

Based on the local income tax regulations, profits of the Company's branch at Shenzhen is subject to separate tax assessments for the year ended 31st December, 2006 and 2007 and is levied based on EIT rate of 15% (2006: 15%) on the respective estimated taxable income. For the year ended 31st December, 2006, the Company's branches at Wuhan, Guangzhou and Shanghai were also subject to separate tax assessments. Taxation on those branches was levied based on the EIT rate of 33% on the respective estimated taxable income for the prior year.

During the year, the subsidiaries of the Company are subject to standard EIT rate of 33% (2006: 33%).

On 16th March, 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC ("the New Tax Law"), which became effective on 1st January, 2008. Further, on 6th December, 2007, the State Council released the Implementation Rules to the Corporate Income Tax Law.

According to the New Tax Law, the standard EIT rates for enterprises in the PRC will be reduced from 33% to 25% with effect from 1st January, 2008. However, a "new and high technology enterprise" will continue to be entitled to a reduced EIT rate of 15%. The detailed application of the newly introduced preferential tax policies have yet to be made public.

Taxation in the consolidated income statement represents:-

	2007 *RMB'000*	2006 *RMB'000*
Current tax – PRC		
– Provision for the year	**6,682**	6,755
– Over-provision in respect of prior years	**(48)**	(135)
	6,634	6,620


9. INCOME TAX (Continued)

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

	2007	2006
	RMB'000	*RMB'000*
Profit before income tax	**27,437**	23,803
Tax calculated at the statutory EIT rate of 33%	**9,054**	7,855
Tax effect of expenses not deductible for taxation purposes	**3,351**	2,699
Tax effect of non-taxable items	**(9)**	(20)
Utilisation of previously unrecognised tax losses	**(221)**	(16)
Tax effect of unused tax losses of subsidiaries not recognised	**314**	2,138
Reduction of income tax under preferential tax treatment	**(5,807)**	(5,901)
Over-provision in respect of prior years	**(48)**	(135)
Income tax expense for the year	**6,634**	6,620

At 31st December, 2007, the Group has unused tax losses of RMB8,243,000 (2006: RMB9,747,000) and deductible temporary differences of RMB2,720,000 (2006: RMB3,216,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses and the deductible temporary differences due to the unpredictability of future profit streams and uncertainty in the utitisation of the benefits of the temporary differences respectively.

10. DIVIDENDS

	2007	2006
	RMB'000	*RMB'000*
2006 final dividend of RMB0.0003 (2006: RMB Nil) per ordinary share and 2006 special dividend of RMB0.0027(2006: RMB Nil) per share	**2,490**	—
2007 final dividend proposed after the balance sheet Date of RMB0.0067 per share	**5,561**	—
	8,051	—

During the year ended 31st December, 2007, the aggregate 2006 final and special dividends of RMB0.003 per share (total dividends of RMB2,490,000) were declared and paid to shareholders.

In respect of the current year, the directors propose that a dividend of RMB0.0067 per share will be paid to shareholders. This dividend is subject to approval by the shareholders at the annual general meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the register of members on 19th April, 2008. The total estimated dividend to be paid is RMB5,561,000.



11. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31st December, 2007 is based on the profit attributable to equity holders of the Company of RMB20,608,000 (2006: RMB19,001,000) and on the weighted average number of shares in issue of 830,000,000 (2006: 830,000,000).

No diluted earnings per share for the years ended 31st December, 2006 and 2007 is present as the Company has no potential dilutive ordinary shares outstanding during the years.

12. DIRECTORS' AND SUPERVISORS' 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:

	2007			
	Fees *RMB'000*	Salaries and allowances *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*
Executive directors:				
He Chaobing	—	241	31	272
Wang Weijie (Resigned on 26th February, 2008)	—	208	20	228
Non-executive directors:				
He Lianyi	12	—	—	12
Li Huafei	12	—	—	12
Xu Xiang (resigned on 8th November, 2007)	3	—	—	3
Chan E Nam Viceca	12	—	—	12
Independent non-executive directors:				
Cheng Zhiming (resigned on 8th November, 2007)	24	—	—	24
Qiao Jun	24	—	—	24
Li Yijing	24	—	—	24
Shen Jin	24	—	—	24
	135	449	51	635


12. DIRECTORS' AND SUPERVISORS' 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)

	2006			
	Fees *RMB'000*	Salaries and allowances *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *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

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 years.

12. DIRECTORS' AND SUPERVISORS' 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:

	2007			
	Salaries and allowances	**Bonus**	**Retirement benefit scheme contributions**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Supervisors:				
Wang Mingmei	**—**	**10**	**—**	**10**
Xue Guiyu	**58**	**12**	**12**	**82**
Liu Jianbo	**6**	**—**	**—**	**6**
	64	**22**	**12**	**98**

	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

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 years.


12. DIRECTORS' AND SUPERVISORS' 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, 2007 included two directors (2006: two directors) whose remuneration are set out in note (a) above. Details of remuneration of the remaining three (2006: three) highest paid non-director employees during the two years ended 31st December, 2007 are as follows:

	2007	2006
	RMB'000	*RMB'000*
Salaries and allowances	**349**	302
Bonus	**123**	206
Retirement benefit scheme contributions	**43**	18
	515	526

During the years, no remuneration was paid by the Group to the highest paid non-director employees as an inducement to join or upon joining the Group, or as compensation for loss of offices.

13. INVESTMENT PROPERTY

The Group and the Company

	RMB'000
Additions during the year and as at 31st December, 2007, at fair value	**2,380**

The investment property was revalued as at 23rd October, 2007 at its open market value by reference to recent market transactions in comparable properties. The valuation was carried out by a PRC independent surveyor, 南京大陸房地產估價師事務所有限責任公司, who has among their staff members of the relevant PRC association of surveyors with recent experience in the location and category of property being valued. The directors consider that the fair value of the investment properties based on the above valuation approximates its fair value as at the balance sheet date.

The Group has not earned any lease income from its investment property during the year.

The investment property is held in the PRC under a medium term lease.

14. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

(a) Property, plant and equipment

	Buildings	Leasehold improvements	Outdoor advertising displays	Production equipment	Furniture, fixtures 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, 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 and 1st January, 2007	**41,603**	**3,646**	**130,737**	**135,796**	**24,283**	**8,820**	**344,885**
Additions	—	1,478	22,377	1,052	1,273	1,195	27,375
Transfer from construction in progress (note (b))	622	—	—	—	—	—	622
Reclassification	—	—	—	(19)	19	—	—
Disposal and liquidation of subsidiaries	—	(914)	(29,107)	(568)	(479)	(1,016)	(32,084)
Disposals	—	(510)	(2,849)	(34)	(1,336)	(878)	(5,607)
At 31st December, 2007	**42,225**	**3,700**	**121,158**	**136,227**	**23,760**	**8,121**	**335,191**


14. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS (Continued)

(a) Property, plant and equipment (Continued)

	Buildings	Leasehold improvements	Outdoor advertising displays	Production equipment	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group							
Accumulated depreciation:							
At 1st January, 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 and 1st January, 2007	**5,253**	**1,781**	**38,749**	**88,030**	**14,125**	**4,671**	**152,609**
Charge for the year	930	481	12,601	13,948	2,433	1,259	31,652
Reclassification	—	—	—	(4)	4	—	—
Disposal and liquidation of subsidiaries (note 28)	—	(134)	(10,826)	(200)	(205)	(326)	(11,691)
Written back on disposal	—	(224)	(1,973)	(32)	(1,245)	(683)	(4,157)
At 31st December, 2007	**6,183**	**1,904**	**38,551**	**101,742**	**15,112**	**4,921**	**168,413**
Net book value:							
At 31st December, 2007	**36,042**	**1,796**	**82,607**	**34,485**	**8,648**	**3,200**	**166,778**
At 31st December, 2006	36,350	1,865	91,988	47,766	10,158	4,149	192,276

14. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS (Continued)

(a) Property, plant and equipment (Continued)

	Buildings	Leasehold improvements	Outdoor advertising displays	Production equipment	Furniture, fixtures 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, 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 and 1st January, 2007	**41,603**	**2,767**	**51,806**	**111,377**	**20,936**	**5,945**	**234,434**
Additions	—	1,347	6,640	1,003	868	999	10,857
Transfer from construction in progress (note (b))	622	—	—	—	—	—	622
Reclassification	—	—	—	(19)	19	—	—
Disposals	—	(510)	(565)	(34)	(1,327)	(878)	(3,314)
At 31st December, 2007	**42,225**	**3,604**	**57,881**	**112,327**	**20,496**	**6,066**	**242,599**


14. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS (Continued)

(a) Property, plant and equipment (Continued)

	Buildings	Leasehold improvements	Outdoor advertising displays	Production equipment	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Company							
Accumulated depreciation:							
At 1st January, 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 and 1st January, 2007	**5,253**	**1,637**	**15,271**	**78,207**	**12,522**	**3,618**	**116,508**
Charge for the year	930	414	5,509	12,122	1,955	921	21,851
Reclassification	—	—	—	(4)	4	—	—
Written back on disposal	—	(224)	(32)	(32)	(1,245)	(683)	(2,216)
At 31st December, 2007	**6,183**	**1,827**	**20,748**	**90,293**	**13,236**	**3,856**	**136,143**
Net book value:							
At 31st December, 2007	**36,042**	**1,777**	**37, 133**	**22,034**	**7,260**	**2,210**	**106,456**
At 31st December, 2006	36,350	1,130	36,535	33,170	8,414	2,327	117,926

14. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS (Continued)

(b) Construction in progress

	The Group	**The Company**
	RMB'000	*RMB'000*
Cost:		
Additions during the year and as at 31st December, 2006	622	622
Additions	23,579	—
Transfer to property, plant and equipment (note (a))	(622)	(622)
As at 31st December, 2007	**23,579**	**—**

No capitalised interest is included in construction in progress as at 31st December, 2006 and 2007.

The Group's and the Company's buildings are held in the PRC.

15. LAND USE RIGHT

The Group and the Company

	RMB'000
Cost:	
As at 1st January, 2006, 31st December, 2006 and 2007	**5,764**
Accumulated amortisation:	
At 1st January, 2006	365
Charge for the year	115
At 31st December, 2006	480
Charge for the year	116
At 31st December, 2007	**596**
Net book value:	
At 31st December, 2007	**5,168**
At 31st December, 2006	5,284

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


16. AVAILABLE-FOR-SALE FINANCIAL ASSET AND AMOUNT DUE FROM A FORMER SUBSIDIARY

	Group	Company
	2007	2007
	RMB'000	*RMB'000*
Unlisted investment, at cost	**19,922**	**20,394**

The available-for-sale financial asset represents the Group's and the Company's equity interest in Dahe Basu, which was a 60%-owned subsidiary of the Company until 15th May, 2007.

As further disclosed in notes 2, 19 and 28 to the financial statements, Dahe Basu was no longer a subsidiary of the Group since 15th May, 2007 and Dahe Basu's financial position and results subsequent to 15th May, 2007 were excluded from the consolidated financial statements of the Group. As the directors are unable to obtain sufficient reliable financial information of Dahe Basu, the Group de-consolidated the results and financial position of Dahe Basu from the Group's consolidated financial statements since 1st January, 2007, and accounted for the Group's investment in Dahe Basu as an available-for-sale financial asset. The Group's attributable share of the net assets of Dahe Basu as at 31st December, 2006 was deemed as the initial cost of the avaibale-for-sale financial asset as from 15th May, 2007. The Comapny also reclassified its carrying value of the investment cost in Dahe Basu from investment in a subsidiary into an available-for-sale financial asset as at 31st December, 2007.

The directors of the Company considered that its equity interest in Dahe Basu does not have a quoted market price in an active market and whose fair value cannot be reliably measured. No impairment allowance was made by the management in respect of the carrying amount of the available-for-sale financial asset. As of the date of the report, the liquidation of Dahe Basu is still in progress.

The Group's and the Company's amounts due from a former subsidiary of approximately RMB1,506,000 and RMB177,000, respectively, represented the amounts due from Dahe Basu as at 31st December, 2007, which are unsecured, interest-free and have no fixed terms of repayment.



17. GOODWILL

The Group

	2007	2006
	RMB'000	*RMB'000*
Cost and carrying value:		
At beginning of year and 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, 2006 and 2007 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:

	2007	2006
	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 gross margins, growth rates and discount rates 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 gross margins and growth rates are based on industry growth forecasts.

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


17. GOODWILL (Continued)

Key assumption used for value in use calculations:

	2007	2006
	%	%
Gross margin	**15 to 76**	12 to 67
Growth rate	**22 to 200**	0 to 3
Discount rate	**7**	6.22

The increase in gross margin is estimated by the directors based on the general expansion of the PRC advertising market from 2008 onwards. The increase in growth rate is driven by the Group's plan to expand its "Ankang advertising boards" business from 2008 onwards.

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, 2007 and 2006.

The directors believe that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the carrying amounts of the goodwill to exceed the respective recoverable amounts of the CGUs.

18. OTHER INTANGIBLE ASSETS

Advertising rights	**The Group** *RMB'000*	**The Company** *RMB'000*
Cost:		
At 1st January, 2006, 31st December, 2006 and 2007	**4,500**	**2,000**
Accumulated amortisation:		
At 1st January, 2006	829	300
Charge for the year	225	100
At 31st December, 2006 and 1st January, 2007	1,054	400
Charge for the year	225	100
At 31st December, 2007	**1,279**	**500**
Net book value:		
At 31st December, 2007	**3,221**	**1,500**
At 31st December, 2006	3,446	1,600

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.

The amortisation charge for the year is included in "cost of sales" in the consolidated income statement.



19. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES

	The Company 2007 *RMB'000*	The Company 2006 *RMB'000*
Unlisted investments, at cost	**63,625**	86,876
Amounts due from subsidiaries	**36,231**	47,443
Amounts due to subsidiaries	**(2,522)**	(1,356)

Amounts due from/to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Particulars of subsidiaries of the Company as at 31st December, 2007 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 Shuanglon 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

(Expressed in Renminbi)


19. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES (Continued)

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	
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. ("Dahe Digital") (重慶大賀數碼噴繪有限公司) (Note(c))	PRC	100%	100%	—	Design, printing and production of outdoor advertising products
Beijing Millennium Ankang International Media Co., Ltd ("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. (河北大賀傳媒有限公司)	PRC	67%	67%	—	Dissemination of outdoor advertisement

19. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES (Continued)

Notes:

(a) During the year, the Group's entire 58.5% effective equity interest in Shanghai Daxi was disposed of to Mr. Ju Guanyu, a director of Shanghai Daxi. Details of the disposal of the subsidiary are set out in note 28 to the financial statements.

(b) Dahe Basu was a 60%-owned subsidiary of the Company until 15th May, 2007. The formal liquidation of Dahe Basu has commenced when a liquidation team was appointed by the PRC court on 15th May, 2007 and Dahe Basu became subject to the control of the liquidation team . Therefore the directors considered that the Company lost its control over the financial and operating policies of Dahe Basu since 15th May, 2007. However, as the directors were unable to obtain sufficient reliable information of Dahe Basu, the results of Dahe Basu have not been consolidated into these financial statements for the period from 1st January, 2007 to 14th May, 2007. As further disclosed in notes 2, 16 and 28 to the financial statements, the Group's equity interest in Dahe Basu was accounted for as an available-for-sale financial asset during the year.

(c) During the year, the Group acquired the remaining 15% equity interest in Dahe Digital for a cash consideration of approximately RMB689,000 and it became a wholly-owned subsidiary of the Company.

20. INVENTORIES

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Raw materials	**5,085**	6,418	**3,027**	4,203
Work in progress	**205**	1,351	**205**	1,351
Finished goods	**2,111**	2,014	**1,512**	2,014
	7,401	9,783	**4,744**	7,568


21. TRADE AND NOTE RECEIVABLES

The ageing analysis of trade and note receivables net of allowances, at the balance sheet dates, is as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**16,496**	23,495	**10,092**	10,889
Between 2 to 3 months	**16,513**	15,855	**12,319**	11,094
Between 4 to 6 months	**10,795**	21,440	**6,220**	16,716
Between 7 to 12 months	**19,455**	11,502	**7,694**	8,937
Between 1 to 2 years	**7,934**	8,111	**6,274**	5,526
Between 2 to 3 years	**3,123**	1,047	**1,820**	971
	74,316	81,450	**44,419**	54,133

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.

The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follow:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At beginning of year	**8,698**	5,718	**6,572**	5,252
Impairment loss recognised	**4,596**	2,980	**3,847**	1,320
At end of year	**13,294**	8,698	**10,419**	6,572



21. TRADE AND NOTE RECEIVABLES (Continued)

At 31st December, 2007, the Group's and the Company's trade receivables of approximately RMB22,555,000 (2006: RMB16,374,000) and RMB17,518,000 (2006: RMB12,108,000) respectively were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the receivables are not expected to be recovered. Consequently, the Group's and the Company's specific allowances for doubtful debts of approximately RMB11,498,000 (2006: RMB7,216,000) and RMB9,423,000 (2006: RMB5,611,000) respectively were recognised as at 31st December, 2007. The Group does not held any collateral over these balances.

Except for the above, an allowance of approximately RMB1,796,000 (2006: RMB1,482,000) and RMB996,000 (2006: RMB961,000) have been made by the Group and the Company respectively as at 31st December, 2007 for estimated irrecoverable amounts which is included in administrative expenses. This allowance has been determined by reference to past default experience.

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other receivables	**10,500**	38,959	**859**	1,583
Deposits	**18,274**	7,289	**8,017**	5,698
Prepayments	**15,291**	22,826	**12,944**	12,249
	44,065	69,074	**21,820**	19,530

As at 31st December, 2006, the amounts of prepayments of the Group and the Company expected to be utilised after more than one year were approximately RMB4,426,000 and RMB2,482,000 respectively. All the other receivables, deposits and prepayments as at 31st December, 2006 were expected to be recovered within one year.

As at 31st December, 2007, the Group and the Company did not have prepayments expected to be utilised after more than one year.

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


23. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

As at 31st December, 2007, included in bank balances and cash are bank deposits of RMB20,000,000 (2006: RMB10,000,000) pledged to banks to secure the note payables (note 24). As at 31st December, 2006, another bank deposit of RMB11,000,000 was pledged to a bank to secure a bank loan of the Group's holding company (note 29(f)).

24. BANK BORROWINGS, SECURED

	The Group and the Company	
	2007	2006
	RMB'000	*RMB'000*
Bank loans	**150,000**	155,000
Note payables	**40,000**	20,000
	190,000	175,000

All the Group's bank borrowings were denominated in RMB, arranged at fixed interest rates and due for settlement within 12 months. All bank loans are secured by personal guarantees from Mr. He Chaobing, one of the shareholders and directors of the Company, and corporate guarantees from the holding company (note 29(g)).

Note payables were issued with terms of 6 months and are secured by charges over the Group's bank deposits of RMB20,000,000 (2006: RMB10,000,000) (note 23).

The average interest rate in respect of bank loans was 6.83% (2006: 6.22%).

The directors consider that the carrying amounts of the Group's and the Company's bank borrowings approximate their fair values as at 31st December, 2006 and 2007.

At 31st December, 2006 and 2007, the Group did not have undrawn committed borrowing facilities in respect of which all conditions precedent had been met.



25. TRADE PAYABLES

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

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**10,051**	6,895	**6,938**	3,003
Between 2 to 3 months	**4,712**	4,553	**2,083**	1,831
Between 4 to 6 months	**2,749**	1,404	**1,602**	964
Between 7 to 12 months	**466**	2,851	**230**	1,315
Between 1 to 2 years	**1,734**	1,493	**722**	791
Over 2 years	**1,633**	731	**1,611**	715
	21,345	17,927	**13,186**	8,619

Trade payables principally comprise amounts outstanding for trade purchases.

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

26. SHARE CAPITAL

	Number of shares	Amount
	'000	*RMB'000*
Registered, issued and fully paid:		
Total domestic shares and H shares of RMB0.1 each at 31st December, 2006 and 2007	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.


27. RESERVES

		PRC Statutory funds			
	Share premium and capital reserve	Statutory surplus reserve	Staff welfare reserve	Retained profits	Total
	RMB'000	*RMB'000* (*note (i)*)	*RMB'000* (*note (ii)*)	*RMB'000*	*RMB'000*
The Company					
At 1st January, 2006	95,745	9,796	4,898	62,657	173,096
Dividend declared and paid	—	—	—	(4,797)	(4,797)
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 and 1st January, 2007	95,745	16,544	—	78,333	190,622
Dividends declared and paid	—	—	—	(2,490)	(2,490)
Profit for the year	—	—	—	20,230	20,230
Appropriations from retained profits	—	2,143	—	(2,143)	—
At 31st December, 2007	**95,745**	**18,687**	**—**	**93,930**	**208,362**



27. RESERVES (Continued)

i) Statutory surplus reserve

In accordance with the 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 or registered capital, where appropriate. However, such statutory surplus reserve must be maintained at a minimum of 25% of respective share capital or registered capital of the Company and its subsidiaries, where appropriate, 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 subsidiaries' 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 subsidiaries were 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 during the year ended 31st December, 2006.


28. DISPOSAL AND LIQUIDATION OF SUBSIDIARIES

On 30th September, 2006, the Group's entire 72% effective interest in Nanjing Jinxin was disposed to an independent third party at a consideration of RMB 43,313,000, 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 RMB387,000 as its sole asset, was voluntarily liquidated.

During the year, the Group's entire 58.5% effective equity interest in Shanghai Daxi was disposed to Mr. Ju Guanyu, a director of Shanghai Daxi, for a cash consideration of RMB1,610,000, details of which are set out in notes 19 and 29(h) to the financial statements. As disclosed in notes 2, 16 and 19 to the financial statements, Dahe Basu, a 60%-owned subsidiary commenced liquidation on 15th May, 2007, and was accounted for as an available-for-sale financial asset with effect from 15th May, 2007, Accordingly, the Group ceased to consolidate its results, assets and liabilities since that date.

The net assets of subsidiaries at the dates of disposal and commencement of liquidation, where appropriate, are as follows:

	Note	**2007** ***RMB'000***	2006 *RMB'000*
Net assets disposed of and liquidated:			
Property, plant and equipment	14	**20,393**	319
Inventories		**5,099**	—
Trade and notes receivables		**3,342**	22,288
Other receivables, deposits and prepayments		**4,008**	18,653
Amount due from a related company		**13,352**	—
Bank balances and cash		**4,595**	542
Trade payables		**(2,880)**	—
Other payables, deposits received and accruals		**(7,477)**	(308)
Current tax liabilities		**(147)**	—
Net identifiable assets and liabilities		**40,285**	41,494
Minority interests		**(14,138)**	(92)
Gain on disposal of a subsidiary		**497**	2,206
Total consideration of disposal and net assets for distribution upon liquidation		**26,644**	43,608



28. DISPOSAL AND LIQUIDATION OF SUBSIDIARIES (Continued)

	Note	2007 RMB'000	2006 RMB'000
Satisfied by:			
Property, plant and equipment distributed	33(ii)	**3,606**	—
Deemed as cost of available-for-sale financial asset	16	**19,922**	—
Amount due from a former subsidiary	16	**1,506**	—
Other receivables, deposits and prepayments		**—**	34,465
Cash consideration		**1,610**	9,143
		26,644	43,608
Net cash (outflow)/inflow arising on disposal and liquidation of subsidiaries			
Cash consideration		**1,610**	9,143
Bank balances and cash disposed of and distributed upon liquidation		**(4,595)**	(542)
		(2,985)	8,601

Shanghai Daxi contributed RMB5,693,000 of revenue and RMB1,959,000 of net loss to the Group's results for the current year.

During the year, Shanghai Daxi contributed outflow of RMB1,881,000 to the Group's net operating cash flows and utilised RMB121,000 on investing activities.

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 year ended 31st December, 2006.

During the year ended 31st December, 2006, Nanjing Jinxin and Dahe Daxi contributed outflow of RMB3,091,000 to the Group's net operating cash flows and utilised RMB298,000 on investing activities.


29. 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	2007 RMB'000	2006 RMB'000
Fellow subsidiaries			
Sales made	(i)	**16,939**	1,281
Rental income received	(ii)	**240**	240
Construction of advertising displays paid	(iii)	**14,047**	6,235
Related companies			
Sales made	(i)	**333**	1,922
Purchases made	(iv)	**167**	—

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

(ii) Rental income of land and buldings was 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.

(iii) 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. There was no renewed master engineering and construction agreement between the Group and the fellow subsidiary since 1st January, 2006. Individual construction contracts are entered into between the Group and the fellow subsidiary from time to time, and service fees payable by the Group are 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 that the fellow subsidiary would charge other independent customers.

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

29. RELATED PARTIES TRANSACTIONS (Continued)

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

	2007	2006
	RMB'000	*RMB'000*
Short term benefits	**1,165**	1,344

(c) The amount due from/to holding company is unsecured, interest free and repayable on demand. No guarantee has been given or received in respect the amounts due with holding company.

(d) Majority of the balances at 31st December, 2007 represented an amount due from Nanjing Dahe Decoration Co., Ltd, a fellow subsidiary of the Group, of approximately RMB54,325,000 (2006: RMB32,759,000). Included in the balance due from Nanjing Dahe Decoration Co., Ltd were deposits paid for the construction of advertising displays of approximately RMB54,325,000 (2006: RMB16,744,000). The amounts due from related companies as at 31st December, 2006 also included an amount due from Chongqing Basu Art and Media Co, the Minority Owner, of approximately RMB13,352,000, which was advanced by Dahe Basu.

During the year, the Group's interest in Dahe Basu was reclassified as an available-for-sale financial asset, as detailed in notes 2, 16 and 19 to these financial statements, and accordingly Dahe Basu's aggregate amount due from the Minority Owner was excluded from the Group's amounts due from related companies as at 31st December, 2007 because Dahe Basu's financial statements have not been consolidated into these financial statements as at 31st December, 2007.

All the balances are unsecured, interest free and have no fixed repayment terms. The carrying amounts of the amounts due from the related companies represented the respective maximum amounts outstanding during the year.

(e) The balances represented the Group's and the Company's amount due to Fule (Nanjing) Lighting Appliance Co., Ltd. ("Fule Nanjing") of approximately of RMB232,000 (2006: RMB232,000) arising from purchases of lamps from Fule Nanjing, and the Group's and the Company's amounts in total of RMB213,000 (2006: RMB300,000) and RMB2,000 (2006: RMB Nil) due to related companies respectively, 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 was pledged to a bank to secure a bank loan of holding company (note 23).

(g) As at 31st December, 2007, the Company's and the Group's bank loans of RMB150,000,000 (2006: RMB155,000,000) were secured by personal guarantees from Mr. He Chaobing, one of the shareholders and directors of the Company, and corporate guarantees from the holding company (note 24).

(h) During the year, the Group's entire 58.5% effective equity interest in Shanghai Daxi was disposed to Mr. Ju Guanyu, a director of Shanghai Daxi, at a cash consideration of RMB1,610,000 (note 28).


30. OPERATING LEASE ARRANGEMENTS

The Group as a lessee

	2007		2006	
	Land and buildings	**Advertising rights**	Land and buildings	Advertising rights
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Minimum lease payment under operating leases recognised as an expense in the year	**5,046**	**52,280**	4,271	121,147

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

	2007		2006	
	Land and buildings	**Advertising rights**	Land and buildings	Advertising rights
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within one year	**4,091**	**37,813**	3,454	20,211
In the second to fifth years inclusive	**8,555**	**36,200**	6,771	41,306
After five years	**3,743**	**13,232**	5,128	39,338
	16,389	**87,245**	15,353	100,855

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 related advertising site rentals. The leases for properties are negotiated for terms from one to five years at fixed rentals, and advertising right contracts and related advertising site rentals are negotiated for terms from one to twenty years at fixed rentals. None of the leases includes contingent rentals.

The Group as a lessor

	2007		2006	
	Land and buildings	**Advertising rights**	Land and buildings	Advertising rights
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Minimum lease income earned under operating leases	**240**	**146,406**	240	202,654

30. OPERATING LEASE ARRANGEMENTS (Continued)

At the balance sheet dates, the Group had outstanding minimum lease receivables under non-cancellable operating lease receivalbes as follows:

	2007		2006	
	Land and buildings	**Advertising rights**	Land and buildings	Advertising rights
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within one year	**—**	**58,565**	240	35,818
In the second to fifth years inclusive	**—**	**21,453**	—	13,353
After five years	**—**	**191**	—	375
	—	**80,209**	240	49,546

The minimum lease receivables on land and buildings represented rentals receivable by the Group on leasing of part of its leasehold properties to a fellow subsidiary as disclosed in note 29(a)(ii) to the financial statements and annual fees receivable on contracts in respect of the dissemination of outdoor and media advertisement. The lease for the property was negotiated for a term of five years at fixed rentals. Advertising right contracts are negotiated for terms from one to ten years at fixed rentals.

31. COMMITMENTS

As at 31st December, 2007, the Group and the Company had capital commitment of RMB6,000,000 contracted but not provided for in respect of construction of outdoor advertising displays. As at 31st December, 2006, the Group and the Company had no significant commitment.

32. NON CASH TRANSACTION

(i) During the year, other receivables of approximately HK$2,380,000 was settled through transfer of an investment property to the Group (note 13).

(ii) During the year, the additions to the property, plant and equipment of the Group and the Company included the distribution of property, plant and equipment of approximately RMB3,606,000 from Dahe Basu (note 28).

33. 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 profit or loss 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.


34. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the bank borrowings disclosed in note 24, bank balances and cash in note 23 and equity attributable to equity holders of the Company, comprising share capital, reserves and retained profits as disclosed in note 26 and the consolidated statement of changes in equity, respectively.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 5-10% determined as the proportion of net debt to equity.

The gearing ratio at the balance sheet date was as follows:

	2007	2006
	RMB'000	*RMB'000*
Debts	**190,000**	175,000
Bank balances and cash	**(171,247)**	(112,569)
Net debt	**18,753**	62,431
Equity	**310,084**	306,598
Net debt to equity ratio	**6%**	20%

35. 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 risk and currency risk.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and note receivables, and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and note receivables and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade receivables. Trade receivables are due within 30 days from the date of billing. Debtors with balances that are more than 3 months past due are normally requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a certain concentration of credit risk as 10% (2006: 22%) and 26% (2006: 33%) of the total trade and note receivables and other receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and note receivables are set out in note 21 to the financial statements.


35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of the Group's liabilities are current liabilities which are repayable within twelve months after the balance sheet date.

(c) Interest rate risk

As the Group's borrowings are arranged at fixed interest rates and are repayable within 12 months after the balance sheet date, the Group has no significant interest rate risks, and its income and operating cash flows are substantially independent of changes in market interest rate.

(d) Currency risk

The Group mainly operates in the PRC with most of the transactions settled in RMB and does not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(e) Price risk

The Group is not exposed to any equity securities risk or commodity price risk.

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31st December, 2006 and 2007.

(g) Fair values estimation

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



36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31st December, 2007 and 2006 may be categorised as follows:

	2007	2006
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables (including cash and bank balances)	**313,432**	283,437
Available-for-sale financial assets	**19,922**	—
Financial liabilities measured at amortised cost	**242,614**	202,224

37. SIGNIFICANT NON-ADJUSTING POST BALANCE SHEET DATE EVENTS

According to the announcement of the Company dated 13th February, 2008, the Company and the Group have the following significant non-adjusting post balance sheet date events:

(i) On 13th February, 2008, the Company entered into a subscription agreement with MediaCorp Pte Ltd. ("MediaCorp"), a wholly-owend subsidiary of Temasek Holdings (Private) Limited pursuant to which the company conditionally agreed to allot and issue 154,000,000 new domestic shares of nominal value RMB0.1 each at a subscription price of HK$0.5776 per share to MediaCorp. The aggregate nominal value of the new domestic shares is RMB15,400,000, representing approximately 18.55% of the existing issued share capital of the Company and approximately 15.65% of the issued share capital of the Company as enlarged by the above issue of new domestic shares.

(ii) On 13th February, 2008, Ankang, a 51%-owned subsidiary of the Company, entered into a warrant agreement with MediaCorp, pursuant to which Ankang has conditionally agreed to grant a warrant to MediaCorp at US$1, which entitles MediaCorp to subscribe for 20% equity interest in Ankang for a cash consideration of US$12,500,000for a period commencing from date of the approval of the Company's shareholders and expiring on the earlier of (1) the third anniversary of that date or (2) the date on which Ankang has issued written notice to the warrant holder that Ankang's net profit after tax of the preceding financial year has reached or more than US$3,000,000, in any event not earlier than one year from the date of the approval of the shareholders of the Company. The issue and allotment of new registered capital of Ankang upon exercise of the warrant will result in reduction of the percentage of equity interest of the Company in Ankang and such dilution is regarded as a deemed disposal of the Company's equity interest in Ankang.


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,				
	2007	2006	2005	2004	2003
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
	(000)	*(000)*	*(000)*	*(000)*	*(000)*
TURNOVER	**324,294**	388,526	310,834	221,790	166,464
Cost of sales	**(219,082)**	(290,623)	(219,471)	(152,118)	(104,819)
Gross profit	**105,212**	97,903	91,363	69,672	61,645
Other revenue and gains	**4,064**	5,720	2,945	5,176	5,884
Distribution costs	**(30,450)**	(30,716)	(25,541)	(20,658)	(17,334)
Administrative expenses	**(40,431)**	(37,544)	(32,626)	(24,242)	(16,256)
Finance costs	**(10,958)**	(11,560)	(8,860)	(5,667)	(3,079)
Share of results of an associate	**—**	—	—	(375)	—
PROFIT BEFORE INCOME TAX	**27,437**	23,803	27,281	23,906	30,860
Income tax	**(6,634)**	(6,620)	(5,153)	(3,522)	(6,366)
PROFIT FOR THE YEAR	**20,803**	17,183	22,128	20,384	24,494
ATTRIBUTABLE TO:					
Equity holders of the Company	**20,608**	19,001	19,873	18,478	24,500
Minority interests	**195**	(1,818)	2,255	1,906	(6)
	20,803	17,183	22,128	20,384	24,494



Financial Summary (Continued)

ASSETS AND LIABILITIES

	31st December,				
	2007	2006	2005	2004	2003
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
	(000)	*(000)*	*(000)*	*(000)*	*(000)*
Non-current assets	**236,567**	217,147	234,689	238,770	167,121
Current assets	**354,398**	323,335	286,806	214,500	173,143
Current liabilities	**(280,881)**	(233,884)	(204,828)	(179,173)	(103,847)
Net current assets	**73,517**	89,451	81,978	35,327	69,296
Non-current liabilities	**—**	—	(25,400)	(995)	(1,200)
Net assets	**310,084**	306,598	291,267	273,102	235,217

Note:

1. The consolidated financial information as at 31st December, 2005, 2004 and 2003 are extracted from the Company's published annual reports. The consolidated financial information of the Group as at 31st December, 2007 and 2006 are as set out on pages 32 to 35 of the annual report.