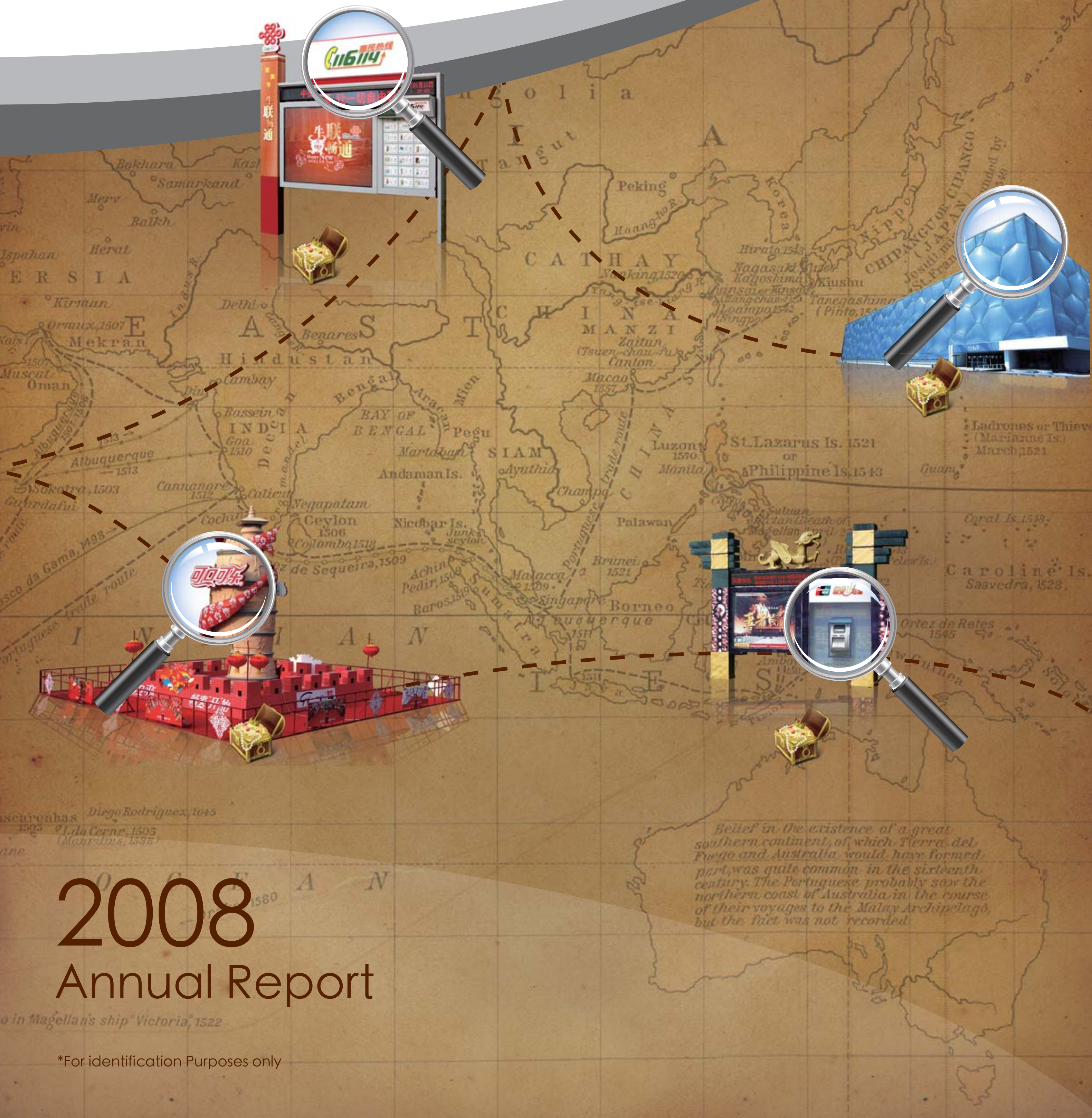
大賀傳媒股份有限公司
DAHE MEDIA CO., LTD.*

(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)



2008
Annual Report

*For identification Purposes only

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

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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 31 December 2008
(Expressed in Renminbi)

	2008 *RMB'000*	2007 *RMB'000*
Revenue		
Turnover	**361,002**	324,294
Profitability		
Profit from operations	**21,483**	38,395
Profit attributable to shareholders	**1,745**	20,608
Net Worth		
Shareholders' funds	**288,654**	290,963
Per share		
Basic earnings per share (RMB)	**0.2cents**	2.5 cents
Net assets attributable to equity holders of the Company per share (RMB)	**34.78cents**	35.06 cents

FINANCIAL CALENDAR

Results for the year	Announcement on 25 March 2009
Annual report	Dispatched to shareholders in late March 2009
Annual general meeting	20 May 2009

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 31 December 2008.

BUSINESS REVIEW

The Group is mainly engaged in outdoor media dissemination and terminal dissemination, including the design, planning, terminal production and dissemination of advertisement and advertising agency. In respect of outdoor media resource and outdoor advertisement dissemination, the Group maintained its advantage in national network supply and dissemination service. In terminal dissemination, the Group provides clients with comprehensive terminal management service covering research, strategic planning and creative designing in the front end, production, logistics and installation in the mid end, and maintenance, monitoring, database building and project summary reporting in the back end, and has become the biggest specialised network in the PRC providing one-stop terminal dissemination.

For the year ended 31 December 2008, the Group's turnover was approximately RMB361 million, an increase of approximately 11% over last year. The revenues generated from media dissemination, terminal dissemination services and media production business represent 54%(2007: 56%), 28%(2007: 18%) and 18% (2007: 26%) of the Group's turnover. Due to the current financial turmoil, the global economic recession and the one-time provision for impairment of investment in Chongqing Dahe Basu, the Group's profits attributable to shareholders during this period amounted to approximately RMB1.75 million, a substantial decrease of approximately 92% over last year. The earnings per share decreased by 92% to RMB0.002.

During the year under review, the turnover of the Group's media dissemination business amounted to approximately RMB194.85 million, an increase of approximately 7.9% over last year. Currently, the Group owns outdoor media dissemination resources of approximately 200,000 square metres across major cities in the PRC. During this year, the average launching rate of the Group's traditional outdoor billboard media was approximately 66%.

During this year, with an aim to build the "Enkon Express Media" into a marketing media of high-end lifestyle, the Group made great efforts in technology development and marketing and entered into strategic cooperation agreements with China UnionPay Jiangsu Branch and China Unicom Jiangsu Branch and innovatively developed services closely related to people's daily lives, such as the "One-stop Payment with UnionPay" ("銀聯社區繳費一站通") and related community promotion campaigns. These services can not only make full use of the advantages of the "Enkon Express Media" in reaching end customers to create a prospective profit model and sources of income for the Group, but can also raise the popularity of the "Enkon Express Media" and win advertisement customers. Currently, the "Enkon Express Media" has covered Beijing, Shanghai, Nanjing, Guangzhou, Hangzhou, Shenzhen, Shenyang and Chengdu with a total of approximately 7,000 advertising boards targeting 6 million households with medium and high income in nearly 4,000 communities. The customers of "Enkon Express Media" come from various industries including finance, insurance, real estates and fast-moving consumer goods, with renowned customers such as Wang Laoji, Ping An Insurance, Bank of Communications and Suning Electric. This project brought a turnover of approximately RMB41.04 million and a profit of RMB7.26 million to the Group, representing an increase of 110% and 151% over last year respectively.

As at 31 December 2008, the turnover of the terminal dissemination services business amounted to approximately RMB102.25 million, an increase of approximately 71% over last year. Such satisfactory revenue in the year under review was achieved by virtue of its superior comprehensive services and innovative designs.

During the year, the Group has won the tendering project of "2008 Olympics and Paralympics Site Scenery Implementation Service" through unique innovative designs, which is the only winning enterprise outside Beijing, and is also the only winning enterprise which entered a bid on its own. The successful completion of the project presented a high-standard image and look for the Beijing Olympic Games and also demonstrated the innovative design and exquisite craftwork of Dahe as well as honouring Dahe's commitment to the Beijing Olympic Games Organising Committee. In addition, the Group has also succeeded in winning the guiding signs of exit systems and billboard renovation projects of Beijing Western Station which is honoured as the "Largest Station in Asia" and won the "2008 Olympics and Paralympics Site Symbol Service" project. The above Olympic-related project generated a turnover of over RMB30 million to the Group.

During the year, customers from Europe and U.S. slowed down their business expansion in China due to the international economic environment and the global economic recession, and the amount of advertisements decreased after the Beijing Olympics as customers had launched a large amount of non-outdoor advertisements during the Beijing Olympics. Chongqing Dahe Basu Media Co., Ltd., a subsidiary of the Company, is still in the process of liquidation and will make a provision of RMB20.3 million for one-time investment impairment for the period. As such, the Group recorded a substantial decrease in the profit attributable to shareholders for the period. However, the Group's financial position and cash on hand remained in sound condition. The Group will monitor closely the changes in economic environment and take proper measures to achieve steady development under the financial crisis.

OUTLOOK

Given the sustained growth of China's economy, national income and purchasing power have increased simultaneously. China has become one of the largest consumer markets in the world. Enterprises will put more emphasis on domestic market and pay more attention to their brand image and product popularity in China's market. They also hope to attract more consumer sales by strengthening their brand marketing through advertising. Hence, the Group believes that, despite the temporary impact caused by the global financial crisis, there are still enormous potential in developing China's advertising market and the role of outdoor advertising media business in the overall economy will gain rising importance. The Group has been affected by the international financial crisis since the fourth quarter of 2008 and the situation will remain challenging in the first half of 2009. It is expected that, however, in the second half of 2009, the economy stimulus plan of the State will start to produce results and the macroeconomic environment will improve accordingly. Therefore, the Group remains cautiously optimistic about the advertising market in China.

After China's accession to WTO, more foreign enterprises will enter China's market as the pace of open policy to the external world accelerated. The launching of international events such as World Expo 2010 in Shanghai will further stimulate the demand for outdoor advertising services. The Group expects to leverage on the opportunities to improve its national media dissemination and terminal dissemination network through various means including innovation, marketing and cooperation, in order to increase the Group's market share in outdoor advertising media.

In addition to the continuous development of cross-regional advertising media network, the Group will continue to enhance its existing business and develop new outdoor media business proactively, in particular the Group's "Enkon Express Media" project. With the new driving force of "One-stop Payment with UnionPay" ("銀聯社區繳費一站通") project, the "Enkon Express Media" is positioned as a "marketing media of high-end lifestyle", and through the financial transaction platform and the provision of preferential and convenient services, attracts the attention of residents. In the short run, the advertising value and the posting rate will be increased, which will serve as the basis for developing the e-commerce business gradually in the future, thus creating an integrated information dissemination transaction platform for community advertisement dissemination.

Looking forward, the Group will continue to expand its business platform by fully leveraging on the existing business network, enhance service quality, strengthen corporate governance system and particularly the control over investment in subsidiaries, acquire more famous local and foreign clients actively, and be dedicated to become the largest media group in the PRC winning respect from the world.

ACKNOWLEDGMENT

I would like to take this opportunity to thank all the employees and management for their contributions and efforts to the Group, 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, the PRC, 25 March 2009

BUSINESS OVERREVIEW

For the year ended 31 December 2008, the Group's turnover amounted to approximately RMB361 million, an increase of approximately 11% over last year. Due to the current financial turmoil, the global economic recession and the one-time provision for impairment of investment in Chongqing Dahe Bashu, the Group's profits attributable to shareholders during this period amounted to approximately RMB1.75 million, a substantial decrease of approximately 92% over last year. The basic earnings per share amounted to RMB0.002.

Media Dissemination Business

As at 31 December 2008, the Group's media dissemination business recorded a turnover of RMB194.85 million, an increase of approximately 7.9% over last year. The Group has outdoor media resources of approximately 200,000 square metres, mainly billboards in expressways, billboards on building roofs in urban areas and landscape boards along roads, across Jiangsu, Sichuan, Chongqing, Hebei, Beijing, Zhejiang, Guangdong, Shanghai, Jiangxi and Liaoning. Through business segments such as professional outdoor planning, innovative outdoor dissemination, tour dissemination and centralised dissemination, the Group conducted detailed data analysis on different customers and adopted corresponding recommendations and strategic advices on media resources. By providing customers with the service of re-launching traditional media with innovative embellishments, the Group makes customers' advertisements the most eye-attracting media along the roads.

During the year, the "Enkon Express Media" business was developing smoothly, and the Group's innovative "One-stop Payment with UnionPay" ("銀聯社區繳費一站通") project commenced operation. Self-service payment machines with "Enkon Express Media" as the carrier have been launched in nearly 100 communities. According to an independent market research undertaken by CTR, the media contact rate of "Enkon Express Media" was 100%; the degree of media acceptance was 90% and the degree of attraction was 89%. China UnionPay, Pudong Development Bank, Bank of Communications and Kentucky Fried Chicken have commenced cooperation with "Enkon Express Media", and Pudong Development Bank alone has chosen tens of communities in Nanjing for the launch. It is believed that this project will bring considerable income to the Group.

The "Enkon Express Media", combining brand promotion and community marketing, has penetrated into medium and high end communities across China with its features in technology, innovation and marketing. Its nearly 7,000 advertising spaces across China cover consumers with medium and high income, occupy the dissemination environment closest to consumers' daily lives with a high-end lifestyle and achieve interactions between people and media, so as to provide enterprises with one-stop community marketing and dissemination services. A number of renowned enterprises including Bank of Communications, Huaxia Bank, Wang Laoji, Suning Electric, Amway and A.O. Smith have launched advertisements on "Enkon Express Media". In recognition of its strong influential power, the "Enkon Express Media" was named the "Media of Highest Investment Value for the year 2008" and the "Most Innovative New Media from 2007 to 2008".

Terminal dissemination business

During the year, the Group made great efforts in the development of terminal dissemination business and recorded a turnover of approximately RMB102.25 million, representing an increase of approximately 71% over last year. Through terminal innovative design and production, terminal products promotion, media dissemination and terminal operation management, the terminal dissemination business has transformed from a simple terminal business to a 360º business terminal manager. By leveraging on its national network, complete industrial chain and powerful implementation, the terminal dissemination business provides customers with comprehensive terminal services including vivid designing for fast-moving consumer goods terminals and image building for clothing store terminals, POP system and 4S automobile outlets. The Group currently serves domestic and international first class brands such as Nike, Puma, Walmart, Haagendazs and Wang Laoji.

Media production business

During the year, the Group's turnover generated from media production business amounted to RMB63.91 million, representing a decrease of approximately 24% over last year and accounting for approximately 18% of the Group's turnover.

Customer base development

During the year, the Group consolidated its existing customer base and improved its service quality to expand high-end customer base. The Group renewed its contract with Du-bang Insurance. In addition to the contract signed in 2007 with a contract value of RMB10 million, the Group entered into a contract with it with a contract value of RMB18 million in 2008 and had placed outdoor media advertisements for it in more than 30 cities across China. The Group's cooperation with Amway also progressed well. During the year, the Group placed outdoor advertisements with contracted value of more than RMB37 million in China. Furthermore, the Group entered into media dissemination agreements with contracted value of over RMB2 million each with ChangAn Automobile, Skyworth Electric, Yanghe Distillery, Kobelco and Suny Real Estate respectively. For the purpose of the An Kang Business, the Group carried out in-depth cooperation with Wang Laoji, Midea, Suning Electric, Bank of Communications, Yongle Electric, Gome Electric and Macalline. The contracted value with Wang Laoji during the year amounted to more than RMB14.5 million. At the beginning of 2009, the Group renewed its contract with Wang Laoji in relation to An Kang media dissemination with a contract value of RMB14 million.

During the year, the Group has entered into strategic cooperation agreements with China United Network Communications Corporation Limited Jiangsu Branch and China UnionPay Company Limited Jiangsu Branch respectively and become a strategic partner of them.

With the development of the Group, the customer structure of the Group has become more reasonable and the Group has acquired more customers with increasing significance. In particular, the contracted value of the cooperation with domestic and international renowned customers has been increasing, with more customers with contracted value of more than RMB10 million like Nike, Wang Laoji and the Beijing Olympics. The business in relation to Walmart's new outlets across China and the Shell elite outlets has been growing steadily and the business in relation to a number of the Group's major customers have been consolidated. As media cooperation started to diversify into strategy services, production business and An Kang business, the Group has become a provider of integrated solutions.

Network expansion

During the year, Beijing Millennium Ankang International Media Co., Ltd. made an investment of RMB30 million to establish Nanjing Ankang Technology Co., Ltd. in Nanjing and set up branches of the company in Shenzhen, Shenyang, Hangzhou, Shanghai and Guangzhou.

During the year, Hebei Dahe Media Co., Ltd., a subsidiary of the Company, made an investment of RMB1 million to establish a wholly-owned subsidiary, Beijing Dahe Qihang International Media Co., Ltd. (formerly known as "北京大賀遠大國際廣告有限公司") , in Beijing, aiming to penetrate further into the Beijing market.

In order to strengthen staff training and recruit talents, the Group made an investment of RMB100,000 to establish the Nanjing Dahe Media Training Centre in Nanjing to recruit fresh graduates for pre-post training.

AWARDS AND HONOURS

Dahe Group

During the year, the Group had received various honours and awards. At the third session of the Media Innovation Annual Meeting, the Group was named "The advertising company that has secured the most concern from the Media in China".

As at 31 December 2008, the Group was named "Leading enterprise in China's creative industry 2008" and "Top 100 enterprises with rapid growth in China's creative industry 2008". The Group received once again the awards and mementoes issued by the Organization Committee of the 29th Olympic Games to outstanding service providers of the Olympics. Since the close of the Beijing Olympic Games, the Group has received nearly 10 letters of appreciation and mementoes from relevant authorities such as the International Olympic Committee (IOC), the Beijing Organizing Committee for the Games of the 29th Olympiad, including a letter of appreciation and certificate signed by Rogge, president of the IOC.

In addition, the Group was named "100 enterprises with rapid growth and innovative technology in Nanjing 2008" by Nanjing government, Nanjing Economic and Trading Committee and Nanjing Quality Association. This is the first accreditation of high-tech enterprises by Nanjing authorities.

Enkon Express Media

During the year, "Enkon Express Media 3.0" was named "Media of Highest Investment Value for the year 2008" in the 2008 China Media Academy Award held by Communication University of China and Media Magazine, and was named "Most Innovative New Media from 2007 to 2008" at the "Beijing International Advertisement Innovative Trend Forum".

The Group conducted a number of technology innovation activities in 2008, and had received accreditations and qualifications in high-tech fields in respect of patent application, technology development projects and provincial level high-tech products. The "Enkon Express Media 3.0" related projects developed by the Group, combining graphic lamp houses, LED network dissemination, one-stop payment, vivid outdoor experience and cooperation with community activities, formed a stereo dissemination platform with online/offline and audio/video features and won recognitions by virtue of its technology and innovation, and the government is considering setting up plans to support their development.

Chairman

During the year, Mr. He Chaobing, the Group's Chairman, received the "Award for Outstanding Contribution to China's advertising industry in 30 Years" and was elected as the Vice Chairman of the China Advertising Association. At the third session of the Media Innovation Annual Meeting, he was crowned with the honour of "The advertiser that has secured the most concern from the Media in China". He was named the "New Media Personality 2008" in the 2008 China Media Academy Award held by Communication University of China and Media Magazine.

As at 31 December 2008, Mr. He Chaobing, the Group's Chairman, received the "Award for Outstanding Contribution to China's Creative industry" in the "China Creative Industry Annual Awards 2008" held by the International Cultural Creative industry Expo. The "China Creative Industry Annual Awards 2008" is the most authoritative and influential award in China's creative industry, representing the blue ribbon in the industry. People who received this award include ten persons who have made outstanding performance in the creative industry, including Zhang Yimou, a famed director, and Yu Qiuyu, a well-known writer.

MAJOR EVENTS

During the year, upon approval at a shareholders' general meeting, the members of the third session of the Board and the Supervisory Committee have been elected. In addition to the existing Audit Committee and the Remuneration Committee, the Board has established a Nomination Committee, with a view to further strengthen corporate governance and provide professional advices for the Group's decision makings.

In February 2008, the Group entered into a share subscription agreement with MediaCorp, a wholly-owned subsidiary of Temasek Holdings (Private) Limited, pursuant to which the Group conditionally agreed to allot and issue 154,000,000 new domestic shares to MediaCorp, representing approximately 18.55% of the Group's existing issued share capital and approximately 15.65% of the Group's enlarged issued share capital subsequent to the issue of subscription shares. In addition, MediaCorp will also acquire part of the Group's domestic shares. Upon completion of the acquisition, MediaCorp will become the second largest shareholder of Dahe Media. The Group obtained approval from MOF in September 2008, and Nanjing Hi-Tech Venture Capital Co., Ltd. has also obtained approval from SASAC to transfer the 50 million domestic shares it held.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2008.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

During the year, the Group acquired 10% equity interests in Shanghai Dahe Yasi Advertising Co., Ltd., a subsidiary of the Company, which has become a wholly-owned subsidiary of the Company.

FUTURE SIGNIFICANT INVESTMENT PLANS AND EXPECTED SOURCE OF FUNDS

The Group will continue to enhance the innovative capability and profitability of its existing business, particularly the extensive and in-depth promotion of Enkon Express Media, so as to increase its market share. As at 31 December 2008, the Group did not consider or formulate any new investment plans.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, trade and other payables decreased to approximately RMB24.46 million from approximately RMB26.42 million in 2007. Trade and other receivables increased to approximately RMB85.02 million from approximately RMB74.32 million in 2007.

As at 31 December 2008, bank balance and cash held by the Group amounted to approximately RMB206.17 million; bank loans and other loans of the Group amounted to approximately RMB250 million. Debt-Equity Ratio was approximately 81%, being the percentage of bank loans over net assets of approximately RMB310.33 million.

Profits attributable to shareholders were approximately RMB1.75 million, an decrease of approximately 92% as compared with RMB20.61 million for the last year.

SALES, GENERAL AND ADMINISTRATIVE EXPENSES

During the year ended 31 December 2008, sales, general and administrative expenses were approximately RMB80 million. In 31 December 2007, it was approximately RMB70.51 million.

FINANCE COST

During the year ended 31 December 2008, finance cost was approximately RMB14.57 million. In 31 December 2007, it was approximately RMB10.96 million.

TAXATION

Pursuant to the Corporate Income Tax Law of the PRC which came into effect on 1 January 2008, domestic enterprises and foreign enterprises are required to pay income taxes at an unified rate of 25%. Enterprises which were established before 16 March 2007 may continue to enjoy the preferential tax rate under the current tax law and administrative regulations, and progressively pay taxes at the new tax rate during the five-year transitional period (until 2012) stipulated by the State Council. Therefore, the Company enjoyed the preferential corporate income tax rate of 18% (2007: 15%) for the year ended 31 December 2008 while subsidiaries of the Company enjoyed the corporate income tax rate of 25% (2007: 33%). Income tax for 2008 was approximately RMB2.61 million, and in 2007 it was approximately RMB6.63 million.

MINORITY INTERESTS

As at 31 December 2008, minority interests amounted to RMB21.68 million. In 2007, it was approximately RMB19.12 million.

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 year, the net current assets of the Group were approximately RMB2.99 million, and net assets were approximately RMB310.33 million. In 2007, they were approximately RMB19.19 million and RMB310.08 million respectively.

MATERIAL LITIGATION

During the year ended 31 December, 2007, Chongqing Dahe Basu Media Co., Ltd., a subsidiary of the Group, entered into liquidation on 15 May 2007 and a liquidation committee was established. Details of the liquidation were disclosed in the announcements of the Group dated 26 July 2007, 21 September 2007 and 27 September 2007. The Group will make a provision for it in the current year. Save as above, the Group or any of its subsidiaries was not involved in any material litigation or arbitration.

EMPLOYEES

As at 31 December 2008, the Group has a total of approximately 1,000 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.

REMUNERATION POLICIES

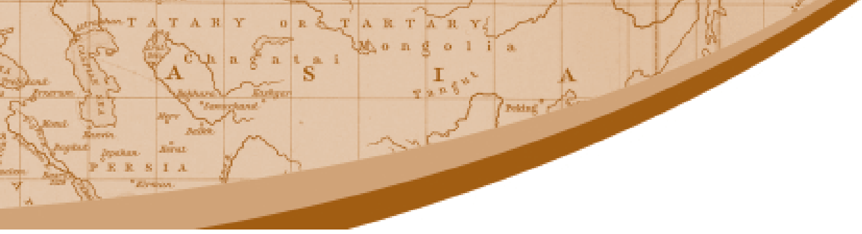
The Group provides competitive remuneration packages and benefits to employees. The remuneration of staff is determined based on his performance under the Group's remuneration policy which is reviewed annually.

EMPLOYEE RETIREMENT BENEFIT SCHEME

The Group has provided its employees with various mandatory retirement benefit schemes in accordance with the laws and regulations in China.

CONTINGENT LIABILITIES

As at 31 December 2008, the Group had no material contingent liabilities.



Report of the Directors

The Directors present their annual report for 2008 together with the Group's audited financial statements for the year ended 31 December 2008.

FINANCIAL STATEMENTS

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 and the provision of terminal dissemination service.

SEGMENTAL INFORMATION

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 34.

The Board did not recommend a final dividend for the year ended 31 December 2008.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest customer and the five largest customers accounted for approximately 8% and 28% respectively of the Group's turnover.

During the year, the Group's largest supplier and five largest suppliers accounted for approximately 2% and 5% 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 BORROWINGS

Particulars of bank borrowings of the Group are set out in note 25 to the financial statements.

SHARE CAPITAL

There was no movement in the authorised and issued share capital of the Company during the year. Details of the share capital 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 31 December 2008, the reserves of the Group available for cash distribution or distribution in specie amounted to approximately RMB205.65 million.

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 26 February 2008)
YANG Jianliang (appointed on 26 February 2008)

Non-executive directors

LI Huafei
HE Lianyi
CHAN E Nam Viveca

Independent non-executive directors

QIAO Jun (resigned on 31 December 2008)
LI Yijing (resigned on 31 December 2008)
SHEN Jin (resigned on 31 December 2008)
SUN Yingcai (appointed on 1 January 2009)
GE Jianya (appointed on 1 January 2009)
YE Jianmei (appointed on 1 January 2009)

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 22 to page 24 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 directors and supervisors has entered into a service contract with the Company with effect from 1 January 2009 for a term of three years.

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 31 December 2008.

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

As at 31 December 2008, 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 Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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%

Notes:

1. All of the persons named above are Directors, except Ms Wang Mingmei who is a Supervisor.
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 Jiangsu Dahe International Advertising Group, Co., Ltd.(江蘇大賀國際廣告集團有限公司)("Dahe International") which was owned as to 90% by Mr. He Chaobing.

Save as disclosed above, as at 31 December 2008, 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 Rule 5.46 of the GEM Listing Rules.

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

A. Substantial shareholders

As at 31 December 2008, 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%
MediaCorp Pte Ltd	Beneficial owner	273,000,000 domestic shares of RMB0.10 each (L)	47.07%	32.90%
Temasek Holdings (Private) Limited	Interest of a controlled corporation *(note 5)*	273,000,000 domestic shares of RMB0.10 each (L)	47.07%	32.90%

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.

5. The interests in the domestic shares were held through MediaCorp Pte Ltd. which was 100% owned by Temasek Holdings (Private) Limited.

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

As at 31 December 2008, 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 *(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 31 December 2008 in the register required to be kept under section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year, the Group had certain connected transactions.

The Board has approved and the independent non-executive directors has reviewed the continuing connected transactions of the Company in 2008 and confirmed that such continuing connected transactions were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties;

(c) in accordance with the terms of the relevant agreements governing them; and

(d) in accordance with the relevant written agreements on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Board has received a letter from the Company's auditor under Rule 20.38 of the GEM Listing Rules in respect of the continuing connected transactions conducted in 2008.

Details of the connected transactions in 2008 are set out in the announcement of the Company dated 6 July 2006 and the circular of the Company dated 28 July 2006.

The terms in respect of ongoing connected transactions expired on 31 December 2008. The Group had complied with the GEM Listing Rules requirements in respect of the continuing connected transactions for the period from 1 January 2009 to 31 December 2011. For details, please refer to the announcement dated 14 December 2008 and the circular dated 30 December 2008 of the Company.

SPONSOR'S INTEREST

As at 31 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 1 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 31 December 2008, and is of the opinion that such resuts were prepared in accordance with applicable accounting standards, the GEM Listing Rules and other statutory requirements and were sufficiently disclosed.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 25 to 30 of the annual report.

AUDITOR

The financial statements have been audited by Shu Lun Pan Horwath Hong Kong CPA Limited, who will retire and be eligible to offer themselves for re-appointment. A resolution will be submitted to the forthcoming annual general meeting to authorise the Board to appoint auditors and to fix their remuneration.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the Directors' knowledge, as at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

By Order of the Board

He Chaobing
Chairman

Nanjing, the PRC
25 March 2009

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 2008. 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 2008.

The Supervisory Committee considers that resolutions of the Board meetings held in 2008 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 2008, and is confident about the prospects of the Company's future developments.

By Order of the Supervisory Committee

Wan Mingmei
Chairman

Nanjing, the PRC,
25 March 2009

DIRECTORS

Executive Directors

He Chaobing (賀超兵), male, aged 49, a master's degree holder, senior economist and the founder of Dahe Group. He is currently the Chairman and President of Dahe Group, the Vice Chairman of China Advertising Association, 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 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) and a visiting professor at Nanjing University. He has been an executive director of the Group since December 2000.

Yang Jianliang (楊建良), male, aged 43, 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 April 2004 and has been successively in charge of the Group's media operations, strategy and investment and finance. He has been an executive director of the Group since February 2008.

Non-executive Directors

Li Huafei (李華飛), male, aged 45, 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 南京創業投資管理有限公司. Previously, he has been the 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). He has been a non-executive director of the Group since December 2000.

He Lianyi (賀連意), male, aged 58, 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 Decoration Co., Ltd. He has been a non-executive director of the Group since December 2000.

Chan E Nam Viveca (陳一枬), female, aged 54, 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 Mainland China and Hong Kong regions. She has been a non-executive director of the Group since January 2006.

Independent non-executive Directors

Sun Yingcai (孫英才), male, aged 62. He is currently an independent non-executive director of Dahe Group, and has been the deputy supervisor of China Advertising Supervision Management Company, deputy secretary general of China Advertising Association, deputy head of Fair Transaction Bureau of China State Administration for Industry and Commerce. He has been an independent non-executive director of the Group since January 2009.

Ge Jianya (葛建亞), male, aged 55, is currently an independent non-executive director of Dahe Group and a researcher of Nanjing Lugou International Company Limited. He has been the deputy general manager of Jiangsu Airlines Industry Group Advertising Company, chairman of Nanjing Lugou International Advertising Company Limited, standing council of Jiangsu Advertising Association, council of Jaingsu Marketing Association, standing member of China Civil Airlines Advertising Committee, deputy supervisor of Jiangsu Lugou International Market Development Committee. He has been an independent non-executive director of the Group since January 2009.

Ye Jianmei (葉建梅), female, aged 46, senior accountant, internal auditor awarded by the China Institute of Internal Auditors and a non-practising member of the Registered Accountant Association of Jiangsu Province (江蘇省註冊會計師協會). She is currently an independent non-executive director of Dahe Group and the financial controller of Nanjing Dayang Department Store, and is also a council member of Nanjing Senior Accountant Association, Conduct Supervisor of Nanjing State Tax Inspection Branch, and has been the head of the financial department of Nanjing Xinjiekou Mall Company Limited, the financial controller of Dongfang Shopping Mall Company Limited. She has been an independent non-executive director of the Group since January 2009.

SUPERVISORS

Wang Mingmei (王明梅), female, aged 60, 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. She has been a supervisor of the Group since December 2000.

Liu Jianbo (劉建波), male, aged 37, 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 the secretary of the Board and manager of the project department of 南京創業投資管理有限公司 . Previously, he was 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). He has been a supervisor of the Group since December 2000.

Xue Guiyu (薛貴餘), male, aged 49, 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. He has been a supervisor of the Group since December 2000.

SENIOR MANAGEMENT

Qin Chao (秦超), male, aged 55, 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 and responsible for the administrative work 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 deputy general manager and secretary to the Board of Nanjing Zhongda Film (Group) Co., Ltd. (南京中達制膜（集團）股份有限公司).

Zhou Beibei (周蓓蓓), female, aged 32, graduated from the Shanghai University majoring in advertising studies and is currently attending the EMBA programme at the School of Business, Fudan University. She joined the Group in 2003 and is currently COO of the Group and responsible for the business operation 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.

(A) CORPORATE GOVERNANCE PRACTICE

Since 1 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 1 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 31 December 2008.

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	
WANG Weijie	(resigned on 26 February 2008)
YANG Jianliang	(appointed on 26 February 2008)

Non-executive directors:

LI Huafei
HE Lianyi
CHAN E Nam, Viveca

Independent non-executive directors:

QIAO Jun	(resigned on 31 December 2008)
LI Yijing	(resigned on 31 December 2008)
SHEN Jin	(resigned on 31 December 2008)
SUN Yingcai	(appointed on 1 January 2009)
GE Jianya	(appointed on 1 January 2009)
YE Jianmei	(appointed on 1 January 2009)

(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.

As Wang Weijie, the former chief Executive Officer, resigned on 10 December 2007, the post of Chief Executive Officer of the Company is temporarily 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 1 January 2009.

(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 31 December 2008
Directors:		
HE Chaobing		7/7
WANG Weijie	(resigned on 26 February 2008)	0/7
YANG Jianliang	(appointed on 26 February 2008)	6/7
Non-executive directors:		
CHAN E Nam, Viveca		5/7
LI Huafei		7/7
HE Lianyi		7/7
Independent non-executive directors:		
QIAO Jun	(resigned on 31 December 2008)	6/7
LI Yijing	(resigned on 31 December 2008)	6/7
SHEN Jin	(resigned on 31 December 2008)	6/7
Number of meetings held during the year		7

(D) BOARD COMMITTEES AND BOARD AD HOC COMMITTEES

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

(i) Audit Committee

Members

The Company has worked out the terms of reference of the Audit Committee pursuant to the requirements of the Stock Exchange. The Audit Committee comprises all three independent non-executive directors. Currently, the members of the Audit Committee are: Sun Yingcai, Ge Jianya and Ye Jimmei. Ye Jianmei is the chairman of the Audit Committee.

As at 31 December 2008, 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 31 December 2008
QIAO Jun *(Chairman)*	4/4
SHEN Jin	4/4
LI Yijing	4/4
Number of meetings held during the year	4

Roles and Duties

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

Working Report

For the year ended 31 December 2008, 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. Currently, the members of the Remuneration Committee are: HE Chaobing, Ye Jianmei and Ge Jianya. HE Chaobing is the chairman of the Remuneration Committee.

As at 31 December 2008, 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 31 December 2008
HE Chaobing		1/1
SHEN Jin	(resigned on 31 December 2008)	1/1
LI Yijing	(resigned on 31 December 2008)	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 31 December 2008.

(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) AUDITOR'S REMUNERATION

For the year ended 31 December 2008, the Group's external auditors provided the following services to the Group:

	2008
	RMB'000
Audit services	1,000

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 financial statements of Dahe Media Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 90, which comprise the consolidated and the Company balance sheets as at 31 December 2008, 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 the 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 the 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 as described in the basis for qualified opinion paragraphs, 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

(a) Scope limitation - impairment losses

As further explained in Note 2(a) to the financial statements, because of the significance of the possible effects arising from the scope limitations for the last year, we were unable to obtain sufficient appropriate audit evidence or to perform alternative audit procedures to satisfy ourselves as to whether the financial statements for the year ended 31 December 2007 were fairly stated and free from material misstatement as to (i) the non-consolidation of the Group's 60% equity interest in Chongqing Dahe Basu Media Co., Ltd. ("Dahe Basu") for the period from 1 January 2007 to 15 May 2007 which was recognised as available-for-sale financial asset of the Group and the Company with carrying amount of RMB19,922,000 and RMB20,394,000 respectively as at 31 December 2007, and (ii) the Group's and the Company's amount due from Dahe Basu of RMB1,506,000 and RMB177,000 respectively as at 31 December 2007. The matters referred to above caused us to qualify our audit opinion on the financial statements for the year ended 31 December 2007.

It is further explained in Note 2(b) to the financial statements that, in preparing the financial statements for the year ended 31 December 2008, the directors have made impairment losses based on the available information on Dahe Basu including the report dated 10 March 2009 obtained from the liquidation team of Dahe Basu:

(i) An impairment loss of RMB19,922,000 and RMB20,394,000 against available-for-sale financial asset (equity interest in Dahe Basu) of the Group and the Company respectively; and

(ii) An impairment loss of RMB378,000 against the Group's amount due from Dahe Basu.

The above impairment losses have been charged by the directors to the income statement for the year ended 31 December 2008. Due to the scope limitations as explained above, we have not been able to obtain sufficient appropriate audit evidence or to perform alternative audit procedures to satisfy ourselves as to whether all the impairment losses determined by the directors against the available-for-sale financial asset (equity interest in Dahe Basu) and the amount due from Dahe Basu should be fully charged to the income statement for this year.

(b) Scope limitation – opening balance of available-for-sale financial asset (equity interest in Dahe Basu) and opening balance of amount due from Dahe Basu

As explained in (a) above, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the opening balance of the available-for-sale financial asset (equity interest in Dahe Basu) and the opening balance of the amount due from Dahe Basu and whether any impairment losses against those assets were required for the year ended 31 December 2007.

Any adjustments found to be necessary in respect of the above matters would have a consequential impact on the opening balances of net assets and equity of the Group and the Company as at 1 January 2008, the Group's and the Company's profit for the years ended 31 December 2007 and 2008, and the related disclosures in the financial statements.

QUALIFIED OPINION ARISING FROM LIMITATIONS OF AUDIT SCOPE

In our opinion, except for the effects of such adjustments, if any, that might have been found to be necessary had we been able to obtain sufficient evidence in respect of the matters described in the basis for qualified opinion paragraphs, the financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2008 and of the profit and cash flows of the Group for the year ended 31 December 2008 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.

EMPHASIS OF MATTER

We draw attention to the fact that, because our report dated 26 March 2008 on the financial statements for the year ended 31 December 2007 was qualified for the scope limitations based on the reasons summarised in the basis for qualified opinion paragraph (a) above, the comparative amounts shown in the financial statements may not be comparable with the amounts for the current year.

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

Choi Man On
Practising Certificate number P02410

25 March 2009

Consolidated Income Statement

For the year ended 31 December 2008 (Expressed in Renminbi)

	Notes	**2008** **RMB'000**	2007 *RMB'000*
Turnover	5	**361,002**	324,294
Cost of sales		**(245,364)**	(219,082)
Gross profit		**115,638**	105,212
Impairment losses on available-for-sale financial asset and amount due from a former subsidiary	2 & 16	**(20,300)**	–
Other income and net gain	6	**6,148**	3,690
Distribution costs		**(37,266)**	(30,450)
Administrative expenses		**(42,737)**	(40,057)
Finance costs	7	**(14,569)**	(10,958)
Profit before taxation	8	**6,914**	27,437
Income tax	9	**(2,611)**	(6,634)
Profit for the year		**4,303**	20,803
Attributable to:			
Equity holders of the Company	8	**1,745**	20,608
Minority interests		**2,558**	195
		4,303	20,803
Dividends	10	**5,561**	8,051
Earnings per share – Basic (RMB)	11	**0.002**	0.025

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2008 (Expressed in Renminbi)

	Notes	2008 *RMB'000*	2007 *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	13	**30,856**	2,380
Property, plant and equipment	14(a)	**169,864**	166,778
Construction in progress	14(b)	**24,495**	23,579
Land use right	15	**2,457**	5,168
Available-for-sale financial asset	16	**—**	19,922
Goodwill	17	**15,679**	15,519
Other intangible assets	18	**2,996**	3,221
Deposit paid to a fellow subsidiary	28(d)	**56,021**	54,325
Deferred tax assets	9	**4,980**	—
		307,348	290,892
Current assets			
Inventories	20	**7,938**	7,401
Trade and note receivables	21	**85,021**	74,316
Other receivables, deposits and prepayments	22	**53,690**	44,065
Amount due from a former subsidiary	16	**1,128**	1,506
Amounts due from related companies	28(d)	**1,951**	1,538
Bank balances and cash and pledged bank deposits	23	**206,174**	171,247
		355,902	300,073
Current liabilities			
Trade payables	24	**21,518**	21,345
Other payables, deposits received and accruals	24	**8,100**	6,545
Deferred advertising income		**18,899**	27,293
Amount due to holding company	28(c)	**44,675**	25,754
Amounts due to related companies	28(e)	**232**	445
Bank borrowings, secured	25	**250,000**	190,000
Income tax payables		**5,333**	5,830
Other tax payables		**4,160**	3,669
		352,917	280,881
Net current assets		**2,985**	19,192
Net assets		**310,333**	310,084

At 31 December 2008 (Expressed in Renminbi)

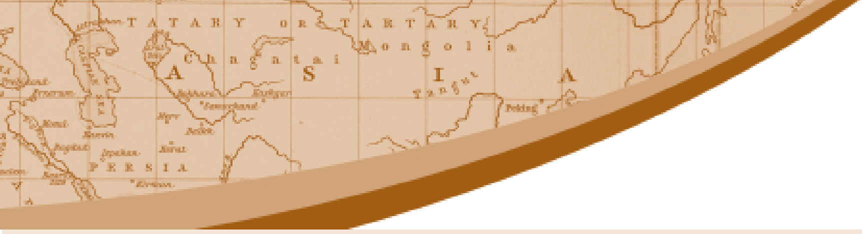
	Note	2008 RMB'000	2007 RMB'000
CAPITAL AND RESERVES			
Share capital	26	**83,000**	83,000
Reserves		**205,654**	207,963
Equity attributable to equity holders of the Company		**288,654**	290,963
Minority interests		**21,679**	19,121
Total equity		**310,333**	310,084

These financial statements were approved and authorised for issue by the board of directors on 25 March 2009.

He Chaobing
Director

Yang Jianliang
Director

The accompanying notes form part of these financial statements.



Balance Sheet

At 31 December 2008 (Expressed in Renminbi)

	Notes	**2008** *RMB'000*	2007 *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	13	**30,856**	2,380
Property, plant and equipment	14(a)	**74,335**	106,456
Land use right	15	**2,457**	5,168
Available-for-sale financial asset	16	**—**	20,394
Other intangible assets	18	**1,400**	1,500
Investments in subsidiaries	19	**63,885**	63,625
Deposit paid to a fellow subsidiary	28(d)	**56,021**	54,279
Deferred tax assets	9	**4,980**	—
		233,934	253,802
Current assets			
Inventories	20	**5,019**	4,744
Trade and note receivables	21	**61,952**	44,419
Other receivables, deposits and prepayments	22	**24,049**	21,820
Amounts due from subsidiaries	19	**54,933**	36,231
Amount due from a former subsidiary	16	**177**	177
Amounts due from related companies	28(d)	**1,934**	1,037
Bank balances and cash and pledged bank deposits	23	**192,390**	161,193
		340,454	269,621
Current liabilities			
Trade payables	24	**14,606**	13,186
Other payables, deposits received and accruals	24	**3,848**	2,795
Deferred advertising income		**11,497**	16,963
Amounts due to subsidiaries	19	**3,374**	2,522
Amount due to holding company	28(c)	**—**	80
Amounts due to related companies	28(e)	**232**	234
Bank borrowings, secured	25	**246,000**	190,000
Income tax payables		**2,684**	3,961
Other tax payables		**2,548**	2,320
		284,789	232,061
Net current assets		**55,665**	37,560
Net assets		**289,599**	291,362

	Notes	2008 RMB'000	2007 RMB'000
CAPITAL AND RESERVES			
Share capital	26	**83,000**	83,000
Reserves	27	**206,599**	208,362
Total equity		**289,599**	291,362

These financial statements were approved and authorised for issue by the board of directors on 25 March 2009.

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 31 December 2008 (Expressed in Renminbi)

	Share capital *RMB'000* *(Note 26)*	Share premium and capital reserve *RMB'000* *(Note 27(ii))*	Statutory surplus reserve *RMB'000* *(Note 27(i))*	Retained profits *RMB'000*	Attributable to equity holders of the Company *RMB'000*	Minority interests *RMB'000*	Total *RMB'000*
Balance at 1 January 2007	83,000	95,914	18,260	75,671	189,845	33,753	306,598
Profit for the year and total income for the year	—	—	—	20,608	20,608	195	20,803
Dividend declared and paid (Note 10)	—	—	—	(2,490)	(2,490)	—	(2,490)
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 (Note 30)	—	—	—	—	—	(14,138)	(14,138)
Balance at 31 December 2007 and 1 January 2008	**83,000**	**95,914**	**19,655**	**92,394**	**207,963**	**19,121**	**310,084**
Valuation gain on reclassification as investment properties and income recognised directly in equity (Note 14(a))	**—**	**1,507**	**—**	**—**	**1,507**	**—**	**1,507**
Profit for the year	**—**	**—**	**—**	**1,745**	**1,745**	**2,558**	**4,303**
Total recognised income for the year	**—**	**1,507**	**—**	**1,745**	**3,252**	**2,558**	**5,810**
Dividend declared and paid (Note 10)	**—**	**—**	**—**	**(5,561)**	**(5,561)**	**—**	**(5,561)**
Appropriations from retained profits	**—**	**—**	**1,794**	**(1,794)**	**—**	**—**	**—**
Balance at 31 December 2008	**83,000**	**97,421**	**21,449**	**86,784**	**205,654**	**21,679**	**310,333**

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008 (Expressed in Renminbi)

	2008 *RMB'000*	2007 *RMB'000*
Operating activities		
Profit before taxation	**6,914**	27,437
Adjustments for:		
Interest income	**(1,484)**	(680)
Interest expense	**14,008**	10,523
Depreciation	**32,551**	31,652
Amortisation of other intangible assets and land use right	**311**	341
Gain on disposal of a subsidiary	**—**	(497)
Impairment loss on available-for-sale financial asset	**19,922**	—
(Gain)/loss on disposal of property, plant and equipment	**(5)**	374
Allowance for bad and doubtful debts	**4,104**	4,596
Allowance for other receivables, deposits and prepayments	**3,620**	—
Allowance for obsolete inventories	**1,416**	194
Allowance for amount due from a former subsidiary	**378**	—
Operating cash flows before working capital changes	**81,735**	73,940
Increase in inventories	**(1,953)**	(2,911)
Increase in trade and note receivables	**(14,809)**	(804)
(Increase)/decrease in other receivables, deposits and prepayments	**(13,245)**	18,621
Decrease in amount due from holding company	**—**	1,631
(Increase)/decrease in amounts due from related companies	**(413)**	17,194
Increase in trade payables	**173**	6,298
Increase in other payables, deposits received and accruals	**1,555**	3,552
(Decrease)/increase in deferred advertising income	**(8,394)**	6,431
Increase in amount due to holding company	**18,921**	25,754
Decrease in amounts due to related companies	**(213)**	(87)
Increase/(decrease) in other tax payables	**491**	(448)
Cash generated from operations	**63,848**	149,171
Interest paid	**(14,008)**	(10,523)
PRC income tax paid	**(8,088)**	(5,633)
Net cash generated from operating activities	**41,752**	133,015

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2008 (Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Investing activities			
Acquisition of property, plant and equipment		**(35,270)**	(23,769)
Proceeds on disposal of property, plant and equipment		**330**	1,076
(Addition)/release of pledged bank deposits		**(30,000)**	1,000
Payments for construction in progress		**(25,952)**	(23,579)
Disposal and liquidation of subsidiaries		**—**	(2,985)
Interest received		**1,484**	680
Increase in deposit paid to a fellow subsidiary		**(1,696)**	(37,581)
Acquisition of additional equity interest of a subsidiary		**(160)**	(689)
Net cash used in investing activities		**(91,264)**	(85,847)
Financing activities			
New bank borrowings		**388,000**	190,000
Repayment of bank borrowings		**(328,000)**	(175,000)
Dividends paid		**(5,561)**	(2,490)
Net cash generated from financing activities		**54,439**	12,510
Net increase in cash and cash equivalents		**4,927**	59,678
Cash and cash equivalents at beginning of year		**151,247**	91,569
Cash and cash equivalents at end of year		**156,174**	151,247
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**206,174**	171,247
Less: Pledged bank deposits	23	**(50,000)**	(20,000)
		156,174	151,247

The accompanying notes form part of these financial statements.

1. ORGANISATION AND OPERATIONS

Dahe Media Co., Ltd. (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 13 November 2003.

The Company and its subsidiaries (hereafter referred as the "Group") 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 Jiangsu Dahe International Advertising Group, Co., Ltd. (江蘇大賀國際廣告集團有限公司), a limited liability company established in the PRC, is the ultimate holding company of the Company.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS IN RESPECT OF THE DE-CONSOLIDATION OF DAHE BASU

An application for the liquidation of Chongqing Dahe Basu Media Co., Ltd. ("Dahe Basu"), a 60%-owned subsidiary of the Company up to 14 May 2007, was made to a PRC court during the year ended 31 December 2007 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 15 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 15 May 2007. The liquidation team is responsible for reporting the results of liquidation of Dahe Basu to the PRC court and is 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.

(a) Year ended 31 December 2007

Notwithstanding that Dahe Basu was a subsidiary of the Company for the period from 1 January 2007 to 14 May 2007 (the "Period"), the Minority Owner was responsible for the daily operations and preparation 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 ended 31 December 2007. Accordingly, the Group de-consolidated Dahe Basu from the Group's consolidated financial statements from 1 January 2007, and accounted for the Group's and the Company's equity interest in Dahe Basu as an available-for-sale financial asset. The Group's and the Company's attributable share of the net assets of Dahe Basu as at 31 December 2006 was deemed as the respective initial cost of the available-for-sale financial asset. Moreover, the Group has also recorded an amount due from Dahe Basu pursuant to the above non-consolidation of assets and liabilities of Dahe Basu as at 31 December 2007. No impairment was made by the directors against the available-for-sale financial asset and the amount due from Dahe Basu as at 31 December 2007.

Further information is available in Note 2 to the financial statements for the year ended 31 December 2007.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS IN RESPECT OF THE DE-CONSOLIDATION OF DAHE BASU (Continued)

(b) Year ended 31 December 2008

The directors received a report dated 10 March 2009 from the liquidation team regarding the progress of the liquidation of Dahe Basu and the latest financial information of Dahe Basu as of 31 December 2008. With reference to the financial information released by the liquidation team in the above report, the directors estimated that, there are net assets of RMB1,128,000 available for distribution by Dahe Basu to the Group as at 31 December 2008. After careful consideration of all the information available including the latest financial information on Dahe Basu obtained from the liquidation team, the directors considered that it would be appropriate to make a full impairment loss against the carrying amount of the Group's and the Company's available-for-sale financial asset of RMB19,922,000 and RMB20,394,000 respectively and an impairment loss of RMB378,000 against the Group's amount due from Dahe Basu as at 31 December 2008.

As of the date of this report, the liquidation of Dahe Basu has not completed.

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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the carrying values of comparatives of available-for-sale financial assets and amount due from a former subsidiary as at 31 December 2007 and the impairment therefor for the year ended 31 December 2007.

The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties which are 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, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of the new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The adoption of HK(IFRIC) – Int 11 "HKFRS 2 – Group and treasury share transactions", HK(IFRIC) – Int 12 "Service concession arrangements", HK(IFRIC) – Int 14 "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" and HKAS 39 & HKFRS 7 Amendments "Reclassification of financial assets" has no impact on these financial statements.

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Adoption of new and revised HKFRSs (Continued)

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

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) – Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendment)	Vesting conditions and cancellation	(i)
HKFRS 1 (Revised)	First-time adoption of HKFRS	(ii)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 39 (Amendment)	Financial instruments – recognition and measurement – eligable hedged items	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) – Int 9	Reassessment of embedded derivatives	(ii)
HK(IFRIC) – Int 17	Distribution of non-cash assets to owners	(ii)
HK(IFRIC) – Int 18	Transfer of assets from customers	(ii)
HK(IFRIC) – Int 13	Customer loyalty programmes	(iii)
HK(IFRIC) – Int 9 & Int 39 (Amendment)	Embedded derivatives	(v)
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	(iv)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, , HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	– HKFRS 5	(ii)

Effective date

(i) Annual periods beginning on or after 1 January 2009

(ii) Annual periods beginning on or after 1 July 2009

(iii) Annual periods beginning on or after 1 July 2008

(iv) Annual periods beginning on or after 1 October 2008

(v) Annual periods ending on or after 30 June 2009

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 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 consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(d) Business combinations

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 in accordance with the accounting policy for goodwill in Note 3(e) below.

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.

(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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Goodwill (Continued)

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 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

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 profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment (Continued)

For the purpose of reclassifications of buildings from property, plant and equipment to investment properties, any revaluation increase arising on the revaluation of the buildings is credited in equity to the capital reserves, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the capital reserves relating to a previous revaluation of that asset.

(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.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under Note 3(f) up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under Note 3(f) above.

(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) Subsidiaries

A subsidiariy is an enterprise in which the Group has the power 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Subsidiaries (Continued)

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.

(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 losses (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. 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 assets. Available-for-sale financial assets that does not have a quoted market price in an active market and whose fair value cannot be reliably measured are 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.

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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) Financial assets (Continued)

(iii) Impairment of financial assets (Continued)

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.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade, and note receivables 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 and of allocating interest income 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) Financial assets (Continued)

(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 received.

(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

A provision is 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

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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.

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) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(t) 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.

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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(u) 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"). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Renminbi ("RMB"), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

— exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings;

— exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

— exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Renminbi, using exchange rates prevailing at the balance sheet date. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(v) Employees' benefits

i) *Short term benefits*

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

ii) *Retirement benefit scheme contributions*

The Group pays contributions to defined contribution plans, being publicly administered pension insurance plans on mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

(w) Borrowing costs

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

(x) 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, terminal 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(y) 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

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgments in applying accounting policies

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), 3(k) and 3(m) 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY

(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.

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. In respect of the allowance for impairment of the available-for-sale financial asset of the Company and the Group and their amounts due therefrom, the Group is also required to obtain sufficient reliable financial information of the investee, details of which are set out in Notes 2 and 16.

5. TURNOVER AND SEGMENTAL INFORMATION

Turnover, which is also revenue, represents the invoiced value of goods sold and services provided to customers after any allowance and discounts and is analysed as follows:

	2008	2007
	RMB'000	*RMB'000*
Outdoor advertisement design and production fees:		
– Terminal	**102,252**	59,818
– Printed posters	**57,875**	71,739
– Signages	**2,936**	7,054
– Electronic media products	**2,913**	4,833
– Others	**181**	234
Income from dissemination of outdoor and media advertisements:		
– Advertising sites income (Note 29)	**170,964**	146,406
– Others	**23,881**	33,182
Franchise fee income	**—**	1,028
	361,002	324,294

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 INCOME AND NETGAIN

	Notes	2008 RMB'000	2007 RMB'000
Government subsidies *(Note)*		**2,260**	2,009
Interest income		**1,484**	680
Rental income	29	**1,033**	240
Others		**1,366**	638
Gain on disposal of a subsidiary	30	**—**	497
Gain /(loss) on disposal of property, plant and equipment		**5**	(374)
		6,148	3,690

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% (2007: 30% to 50%) of business or local tax paid.

7. FINANCE COSTS

	2008 RMB'000	2007 RMB'000
Interest expenses on bank loans wholly repayable within five years	**14,008**	10,523
Bank charges	**561**	435
	14,569	10,958

8. PROFIT BEFORE TAXATION AND PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Notes	2008 RMB'000	2007 RMB'000
Profit before taxation is arrived after charging/(crediting) the following:			
Impairment loss on available-for-sale financial asset	16	**19,922**	—
Cost of inventories *(Note)*	20	**125,406**	110,444
Cost of services *(Note)*		**119,958**	108,638
Auditor's remuneration		**1,000**	930
Depreciation	14	**32,551**	31,652
Amortisation of land use right	15	**86**	116
Amortisation of other intangible assets	18	**225**	225
Allowance for bad and doubtful debts	21	**4,104**	4,596
Allowance for provision on other receivables, deposits and prepayments	22	**3,620**	—
Impairment loss on amount due from a former subsidiary	16	**378**	—
Exchange (gain)/loss, net		**(117)**	327
(Gain)/loss on disposal of property, plant and equipment		**(5)**	374
Employee benefit expenses (excluding directors' and supervisors' remuneration *(Note 12(a) and (b))*			
– Salaries, bonus and allowances		**31,275**	25,800
– Retirement benefit scheme contributions		**3,581**	1,860

Note: Cost of inventories and cost of services included RMB21,457,000 (2007: RMB17,495,000) and RMB1,242,000 (2007: RMB1,205,000) respectively relating to staff costs, depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above. Cost of inventories also included allowance for obsolete inventories of RMB1,416,000 (2007: RMB194,000).

The consolidated profit attributable to equity holders of the Company includes a profit of RMB2,291,000 (2007: RMB20,230,000) (Note 27) which has been dealt with in the financial statements of the Company.

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.

In accordance with the new PRC Enterprise Income Tax Law which became effective from 1 January 2008, a unified enterprise income tax rate of 25% will be applied to both domestic-invested enterprises and foreign-invested enterprises. Enterprises established prior to 16 March 2007 eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations shall, under the regulations of the State Council of the PRC, gradually be subject to the new tax rate over a five-year transitional period until 2012.Accordingly, the Company is eligible for a preferential EIT rate of 18% for the year ended 31 December 2008 (2007: 15%). The subsidiaries of the Company are subject to standard EIT rate of 25% (2007: 33%).

(a) Taxation in the consolidated income statement represents:

	2008	2007
	RMB'000	*RMB'000*
Provision of PRC income tax for the year	**7,577**	6,682
Under/(over)provision in respect of prior years	**14**	(48)
Deferred tax attributable to the origination and reversal of temporary differences	**(4,980)**	—
	2,611	6,634

9. INCOME TAX (Continued)

(b) The taxation charge for the year can be reconciled to the Group's accounting profit for the year as follows:

	2008	2007
	RMB'000	*RMB'000*
Profit before taxation	**6,914**	27,437
Tax calculated at the statutory EIT rate of 25% (2007: 33%)	**1,728**	9,054
Tax effect of expenses not deductible for taxation purposes	**2,466**	3,351
Tax effect of non-taxable items	**(777)**	(9)
Utilisation of previously unrecognised tax losses	**(342)**	(221)
Tax effect of unused tax losses of subsidiaries not recognised	**890**	314
Reduction of income tax under preferential tax treatment	**(1,368)**	(5,807)
Under/(over) provision in respect of prior years	**14**	(48)
Taxation charge	**2,611**	6,634

The deferred tax recognised of RMB4,980,000 during the year and as at 31 December 2008 arises mainly from the deductible temporary difference in relation to the impairment loss on available-for-sale financial asset.

At 31 December 2008, the Group has unused tax losses of RMB9,154,000 (2007: RMB8,243,000) and deductible temporary differences of RMB2,289,000 (2007: RMB2,720,000) 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 utilisation of the benefits of the temporary differences respectively. All unused tax losses will be expired after five years since their date of incurrence.

10. DIVIDENDS

	2008	2007
	RMB'000	*RMB'000*
2006 final dividend of RMB0.003 per ordinary share, paid in 2007	**—**	2,490
2007 final dividend of RMB0.0067 per ordinary share proposed after31 December 2007, paid in 2008	**5,561**	5,561
	5,561	8,051

During the year ended 31 December 2008, the 2007 final dividend of RMB0.0067 per share was declared and paid to shareholders.

No dividend has been declared or paid by the Company in respect of the year ended 31 December 2008.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB1,745,000 (2007: RMB20,608,000) and the weighted average number of shares in issue of 830,000,000 (2007: 830,000,000).

No diluted earnings per share for the years ended 31 December 2007 and 2008 is presented as there is no dilutive event during the years.

12. REMUNERATION OF DIRECTORS, SUPERVISORS AND EMPLOYEES

(a) Details of remuneration paid to the directors of the Company were all below HK$1,000,000 (equivalent to RMB881,600) and as follows:

	2008			
	Fees *RMB'000*	**Salaries and allowances** *RMB'000*	**Retirement benefit scheme contributions** *RMB'000*	**Total** *RMB'000*
Executive directors:				
He Chaobing	—	290	32	322
Yang Jianliang (Appointed on 26 February 2008)	—	176	—	176
Wang Weijie (Resigned on 26 February 2008)	—	24	—	24
Non-executive directors:				
Chan E Nam Viceca	34	—	—	34
He Lianyi	34	—	—	34
Li Huafei	34	—	—	34
Independent non-executive directors:				
Li Yijing	46	—	—	46
Qiao Jun	46	—	—	46
Shen Jin	46	—	—	46
	240	490	32	762

12. REMUNERATION OF DIRECTORS, SUPERVISORS AND EMPLOYEES (Continued)

(a) Details of remuneration paid to the directors of the Company were all below HK$1,000,000 (equivalent to RMB881,600) and as follows: (Continued)

	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 26 February 2008)	—	208	20	228
Non-executive directors:				
He Lianyi	12	—	—	12
Li Huafei	12	—	—	12
Xu Xiang (Resigned on 8 November 2007)	3	—	—	3
Chan E Nam Viceca	12	—	—	12
Independent non-executive directors:				
Cheng Zhiming (resigned on 8 November 2007)	24	—	—	24
Qiao Jun	24	—	—	24
Li Yijing	24	—	—	24
Shen Jin	24	—	—	24
	135	449	51	635

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. REMUNERATION OF DIRECTORS, SUPERVISORS AND EMPLOYEES (Continued)

(b) Details of the remuneration paid to the supervisors of the Company were all below HK$1,000,000 (equivalent to RMB881,600) and as follows:

	2008			
	Salaries and allowances	**Bonus**	**Retirement benefit scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors:				
Wang Mingmei	**—**	**—**	**—**	**—**
Xue Guiyu	**73**	**—**	**12**	**85**
Liu Jianbo	**6**	**—**	**—**	**6**
	79	**—**	**12**	**91**

	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

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. REMUNERATION OF DIRECTORS, SUPERVISORS AND EMPLOYEES (Continued)

(c) Details of the remuneration paid to the five highest paid individuals for the year ended 31 December 2008 included two directors (2007: two directors) whose remuneration is set out in note (a) above. Details of remuneration of the remaining three (2007: three) highest paid non-director employees whose remuneration were all below HK$1,000,000 (equivalent to approximately RMB881,600) during the years ended 31 December 2007 and 2008 are as follows:

	2008	2007
	RMB'000	*RMB'000*
Salaries and allowances	**345**	349
Bonus	**60**	123
Retirement benefit scheme contributions	**44**	43
	449	515

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 PROPERTIES

The Group and the Company

	RMB'000
Addition during the year ended 31 December 2007 *(Note 32)* and fair value as at that date	**2,380**
Reclassified from land use right during the year ended 31 December 2008 *(Note 15)*	**2,625**
Reclassified from property, plant and equipment during the year ended 31 December 2008 *(Note 14(a))*	**25,851**
As at 31 December 2008, at fair value	**30,856**

The investment properties were revalued at 20 June 2008 at its open market value by reference to recent market transactions in comparable properties. The directors consider that the fair value of the investment properties based on the above valuation approximates their fair value as at the balance sheet date.

During the year, the Group has earned RMB1,033,000 (2007: Nil) as lease income from its investment properties. The investment properties are held in the PRC under medium term leases.

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 1 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 *(Note 30)*	—	(914)	(29,107)	(568)	(479)	(1,016)	(32,084)
Disposals	—	(510)	(2,849)	(34)	(1,336)	(878)	(5,607)
At 31 December 2007 and 1 January 2008	42,225	3,700	121,158	136,227	23,760	8,121	335,191
Additions	—	1,466	25,829	2,759	2,738	2,478	35,270
Transfer from construction in progress *(note (b))*	—	—	25,036	—	—	—	25,036
Valuation gain upon reclassification as investment properties	1,507	—	—	—	—	—	1,507
Reclassified as investment properties *(Note 13)*	(26,469)	—	—	—	(6,251)	—	(32,720)
Disposals	—	(177)	(169)	(135)	(283)	(586)	(1,350)
At 31 December 2008	**17,263**	**4,989**	**171,854**	**138,851**	**19,964**	**10,013**	**362,934**

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 1 January 2007	5,253	1,781	38,749	88,030	14,125	4,671	152,609
Charge for the year *(Note 8)*	930	481	12,601	13,948	2,433	1,259	31,652
Reclassification	—	—	—	(4)	4	—	—
Disposal and liquidation of subsidiaries *(Note 30)*	—	(134)	(10,826)	(200)	(205)	(326)	(11,691)
Written back on disposal	—	(224)	(1,973)	(32)	(1,245)	(683)	(4,157)
At 31 December 2007 and 1 January 2008	6,183	1,904	38,551	101,742	15,112	4,921	168,413
Charge for the year *(Note 8)*	682	1,125	16,076	11,335	2,232	1,101	32,551
Reclassified as investment properties *(Note 13)*	(3,413)	—	—	—	(3,456)	—	(6,869)
Written back on disposal	—	(177)	(169)	(83)	(99)	(497)	(1,025)
At 31 December 2008	**3,452**	**2,852**	**54,458**	**112,994**	**13,789**	**5,525**	**193,070**
Carrying Amount:							
At 31 December 2008	**13,811**	**2,137**	**117,396**	**25,857**	**6,175**	**4,488**	**169,864**
At 31 December 2007	36,042	1,796	82,607	34,485	8,648	3,200	166,778

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 1January 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 31 December 2007 and 1 January 2008	42,225	3,604	57,881	112,327	20,496	6,066	242,599
Additions	—	1,467	4,888	2,247	2,228	2,067	12,897
Valuation gain upon reclassification as investment properties	1,507	—	—	—	—	—	1,507
Reclassified as investment properties	(26,469)	—	—	—	(6,251)	—	(32,720)
Disposals	—	(177)	—	(135)	(270)	(386)	(968)
At 31 December 2008	**17,263**	**4,894**	**62,769**	**114,439**	**16,203**	**7,747**	**223,315**

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 1 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 31 December 2007 and 1 January 2008	6,183	1,827	20,748	90,293	13,236	3,856	136,143
Charge for the year	682	1,112	6,457	9,548	1,801	812	20,412
Reclassified as investment properties	(3,413)	—	—	—	(3,456)	—	(6,869)
Written back on disposal	—	(177)	—	(83)	(95)	(351)	(706)
At 31 December 2008	**3,452**	**2,762**	**27,205**	**99,758**	**11,486**	**4,317**	**148,980**
Carrying Amount:							
At 31 December 2008	**13,811**	**2,132**	**35,564**	**14,681**	**4,717**	**3,430**	**74,335**
At 31 December 2007	36,042	1,777	37,133	22,034	7,260	2,210	106,456

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

(b) Construction in progress

	The Group	The Company
	RMB'000	*RMB'000*
Cost:		
As at 1 January 2007	622	622
Additions	23,579	—
Transfer to property, plant and equipment *(note (a))*	(622)	(622)
As at 31 December 2007 and 1 January 2008	23,579	—
Additions	25,952	—
Transfer to property, plant and equipment *(note (a))*	(25,036)	—
As at 31 December 2008	**24,495**	**—**

No capitalised interest is included in construction in progress for the year ended 31 December 2007 and 2008.

15. LAND USE RIGHT

The Group and the Company

	RMB'000
Cost:	
As at 1 January and 31 December 2007	5,764
Reclassified as investment properties *(Note 13)*	(2,928)
As at 31 December 2008	**2,836**
Accumulated amortisation:	
At 1 January 2007	480
Charge for the year *(Note 8)*	116
At 31 December 2007	596
Charge for the year *(Note 8)*	86
Reclassified as investment property *(Note 13)*	(303)
At 31 December 2008	**379**
Carrying Amount:	
At 31 December 2008	**2,457**
At 31 December 2007	5,168

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

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted shares, at cost	**19,922**	19,922	**20,394**	20,394
Less: impairment loss *(Notes 2 & 8)*	**(19,922)**	—	**(20,394)**	—
	—	19,922	**—**	20,394
Amount due from a former subsidiary	**1,506**	1,506	**177**	177
Less: impairment loss *(Notes 2 & 8)*	**(378)**	—	**—**	—
	1,128	1,506	**177**	177

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

Year ended 31 December 2007

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 up to 15 May 2007.

Details of the initial recognition of the available-for-sale financial asset and the amount due from Dahe Basu and their carrying amounts as at 31 December 2007 are disclosed in Note 2 to the financial statements.

The directors considered that the available-for-sale financial asset (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 was made by the directors in respect of the carrying amounts of the available-for-sale financial asset and the amount due from Dahe Basu as at 31 December 2007.

Year ended 31 December 2008

Details of the impairment losses determined by the directors against the carrying amounts of the available-for-sale financial asset and the amount due from Dahe Basu as at 31 December 2007 are disclosed in Note 2 to the financial statements.

As of the date of this report, the liquidation of Dahe Basu is still in progress.

The Group's and the Company's amount due from Dahe Basu as at 31 December 2007 and 2008 are unsecured, interest-free and have no fixed terms of repayment.

17. GOODWILL

The Group

	2008	2007
	RMB'000	*RMB'000*
Cost and carrying value:		
As at 1 January	**15,519**	15,519
Addition (Note)	**160**	—
As at 31 December	**15,679**	15,519

Note: The Group acquired the remaining 10% equity interest in Shanghai Dahe Yasi Advertising Co., Ltd., for a cash consideration of RMB160,000 during the year.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. Goodwill as at 31 December 2007 and 2008 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:

	2008	2007
	RMB'000	*RMB'000*
Name of attributable subsidiaries		
Beijing Dahe Shuanglong Advertising Co., Ltd.	**1,574**	1,574
Shanghai Dahe Yasi Advertising Co., Ltd.	**1,234**	1,074
Beijing Millennium Ankang International Media Co., Ltd.	**12,871**	12,871
	15,679	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 assumptions used for value in use calculation are:

	2008 %	2007 %
Gross margin	**21 to 73**	15 to 76
Growth rate	**10 to 67**	22 to 200
Discount rate	**8**	7

The gross margin is estimated by the directors based on the general economic environment of the PRC advertising market. The decrease in the growth rate is driven by the global economic recession 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 31 December 2008 and 2007.

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 1 January 2007, 31 December 2007 and 2008	**4,500**	**2,000**
Accumulated amortisation:		
At 1 January 2007	1,054	400
Charge for the year *(Note 8)*	225	100
At 31 December 2007 and 1 January 2008	1,279	500
Charge for the year *(Note 8)*	225	100
At 31 December 2008	**1,504**	**600**
Carrying amount:		
At 31 December 2008	**2,996**	**1,400**
At 31 December 2007	3,221	1,500

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	
	2008	2007
	RMB'000	*RMB'000*
Unlisted investments, at cost	**63,885**	63,625
Amounts due from subsidiaries	**54,933**	36,231
Amounts due to subsidiaries	**(3,374)**	(2,522)

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

Particulars and details of the Company's subsidiaries as at 31 December 2008 are as follows:-

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest: Group's effective interest	Effective interest held by the Company	Effective interest held by subsidiaries	Principal activities
Beijing Dahe Shuanglong Advertising Co., Ltd. (北京大賀雙龍廣告有限公司)	PRC	99.51%	95.1%	4.41%	Dissemination of outdoor advertisement
Beijing Millennium Ankang International Media Co., Ltd. (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"
Chengdu Ultralon Advertising Co., Ltd. (成都歐特龍廣告有限公司)	PRC	99%	90%	9%	Inactive
Chongqing Dahe Digital Printing Co., Ltd. ("Dahe Digital") (重慶大賀數碼噴繪有限公司)	PRC	100%	100%	—	Design, printing and production of outdoor advertising products
Hangzhou Ultralon Advertising Co., Ltd. (杭州歐特龍廣告有限公司)	PRC	99%	90%	9%	Dissemination of outdoor advertisement
Hebei Dahe Media Co., Ltd. (河北大賀傳媒有限公司)	PRC	67%	67%	—	Dissemination of outdoor advertisement

(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: Group's effective interest	Effective interest held by the Company	Effective interest held by subsidiaries	Principal activities
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
Nanjing Dahe Media Training Centre (南京大賀傳媒培訓中心)	PRC	100%	100%	—	Provision of training services
Nanjing Ultralon Investment Management Co., Ltd. (南京歐特龍投資管理有限公司)	PRC	90%	90%	—	Investment holding
Shanghai Dahe Yasi Advertising Co., Ltd. (上海大賀雅思廣告有限公司) *(note a)*	PRC	100%	100%	—	Dissemination of outdoor advertisement
Sichuan Xintianjie Media Technology Development Co., Ltd. (四川新天杰傳媒科技發展有限責任公司)	PRC	56%	50%	6%	Dissemination of outdoor and media advertisement

Note:

(a) During the year, the Group acquired the remaining 10% equity interest in Shanghai Dahe Yasi Advertising Co., Ltd. for cash consideration of RMB160,000 and it became a wholly-owned subsidiary of the Company.

20. INVENTORIES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Raw materials	**5,985**	5,085	**3,066**	3,027
Work in progress	**151**	205	**151**	205
Finished goods	**1,802**	2,111	**1,802**	1,512
	7,938	7,401	**5,019**	4,744

(i) The cost of inventories recognised as an expense during the year was RMB125,406,000 (2007: RMB110,444,000).

(ii) The cost of inventories recognised as an expense includes RMB1,416,000 (2007:RMB194,000) in respect of write-downs of inventory to net realisable value.

21. TRADE AND NOTE RECEIVABLES

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**23,253**	16,496	**18,079**	10,092
Between 2 to 3 months	**16,208**	16,513	**11,869**	12,319
Between 4 to 6 months	**12,974**	10,795	**10,963**	6,220
Between 7 to 12 months	**15,008**	19,455	**11,910**	7,694
Between 1 to 2 years	**15,765**	7,934	**6,908**	6,274
Between 2 to 3 years	**1,813**	3,123	**2,223**	1,820
	85,021	74,316	**61,952**	44,419

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 Group has made full allowance for doubtful debts for all receivables that are past due beyond 3 years because historical experience is such that these receivables are generally not recoverable. Allowance on trade receivables between one year to two years are made based on estimated irrecoverable amounts by reference to past default experience and objective evidence of impairment determined by the difference between the carrying amount and the present value of the estimate future cash flow discounted at the original effective interest rate. In determining the recoverability of the trade receivables, the Group monitors any change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. The directors of the Company considered that the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

21. TRADE AND NOTE RECEIVABLES (Continued)

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**13,294**	8,698	**10,419**	6,572
Additional allowance for the year *(Note 8)*	**4,104**	4,596	**1,466**	3,847
At 31 December	**17,398**	13,294	**11,885**	10,419

At 31 December 2008, the Group's and the Company's trade receivables of RMB33,809,000 (2007: RMB22,555,000) and RMB20,144,000 (2007: RMB17,518,000) 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 RMB16,232,000 (2007: RMB11,498,000) and RMB11,013,000 (2007: RMB9,423,000) respectively were recognised as at 31 December 2008. The Group does not held any collateral over these balances.

Except for the above, an allowance of RMB1,166,000 (2007: RMB1,796,000) and RMB872,000 (2007: RMB996,000) have been made by the Group and the Company respectively as at 31 December 2008 for estimated irrecoverable amounts which is included in administrative expenses. This allowance has been determined by reference to past default experience.

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other receivables	**7,587**	10,500	**1,366**	859
Deposits, net of provision	**28,203**	18,274	**8,207**	8,017
Prepayments	**17,900**	15,291	**14,476**	12,944
	53,690	44,065	**24,049**	21,820

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

The movement in the allowance for other receivables, deposits and prepayments during the year is as follows:

	The Group	
	2008	2007
	RMB'000	*RMB'000*
At 1 January	**—**	—
Additional allowance for the year (note 8)	**(3,620)**	—
At 31 December	**(3,620)**	—

As at 31 December 2007 and 2008, 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 31 December 2008, included in the Group's and the Company's bank balances and cash are bank deposits of RMB50,000,000 (2007: RMB20,000,000) pledged to a bank to secure the note payables (Note 25).

24. TRADE PAYABLES AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**21,518**	21,345	**14,606**	13,186
Other payables and accruals	**2,938**	5,070	**1,234**	2,262
Receipts in advance	**5,162**	1,475	**2,614**	533
	8,100	6,545	**3,848**	2,795
	29,618	27,890	**18,454**	15,981

24. TRADE PAYABLES AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS (Continued)

Generally, the credit terms received from suppliers of the Group and the Company is 90 days. An ageing analysis of trade payables at the balance sheet date is as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**12,300**	10,051	**7,835**	6,938
Between 2 to 3 months	**2,220**	4,712	**1,763**	2,083
Between 4 to 6 months	**2,290**	2,749	**1,790**	1,602
Between 7 to 12 months	**2,492**	466	**1,038**	230
Between 1 to 2 years	**215**	1,734	**240**	722
Over 2 years	**2,001**	1,633	**1,940**	1,611
	21,518	21,345	**14,606**	13,186

Trade payables principally comprise amounts outstanding for trade purchases.

The directors consider that the carrying amount of trade payables, and other payables, deposits received and accruals approximates their fair value.

25. BANK BORROWINGS, SECURED

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans	**150,000**	150,000	**146,000**	150,000
Notes payables	**100,000**	40,000	**100,000**	40,000
	250,000	190,000	**246,000**	190,000

All of the Group's and the Company'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 28(f)).

Note payables were issued with terms of 6 months and are secured by charges over the Group's bank deposits of RMB50,000,000 (2007: RMB20,000,000) (Note 23).

The average interest rate in respect of bank loans was 7.37% (2007: 6.83%) per annum.

The directors consider that the carrying amounts of the Group's and the Company's bank borrowings approximate their fair values as at 31 December 2007 and 2008.

26. SHARE CAPITAL

	Number of shares *'000*	Amount *RMB'000*
Registered, issued and fully paid:		
Total domestic shares and H shares of RMB0.1 each at 1 January 2007, and 31 December 2007 and 2008	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.

During the year, the shareholders have granted the General Mandate subject to the limit of up to 20% of the aggregate nominal amount of each of the capital of the H Shares and/or Domestic Shares of the Company in issue as at the date of passing of the resolution by shareholders at the extraordinary general meeting held on 22 January 2008 (i.e. 116,000,000 Domestic Shares and 50,000,000 H Shares in number). The General Mandate will be valid for the period from the passing of the resolution until whichever is the earliest of:

i) the conclusion of 2009 annual general meeting of the Company; or

ii) the expiration of the 12-month period following the passing of the resolution (i.e. 11 April 2008); or

iii) the revocation or variation of the resolution by an ordinary resolution of the shareholders of the Company in general meeting.

27. RESERVES

	Share premium and capital reserve *RMB'000* *(Note (ii))*	Statutory surplus reserve *RMB'000* *(Note (i))*	Retained profits *RMB'000*	Total *RMB'000*
The Company				
At 1 January 2007	95,745	16,544	78,333	190,622
Profit for the year (Note 8)	—	—	20,230	20,230
Dividend declared and paid (Note 10)	—	—	(2,490)	(2,490)
Appropriations from retained profits	—	2,143	(2,143)	—
At 31 December 2007 and 1 January 2008	95,745	18,687	93,930	208,362
Valuation gain on reclassification as investment properties and income recognised directly in equity (Note 14(a))	1,507	—	—	1,507
Profit for the year (Note 8)	—	—	2,291	2,291
Dividend declared and paid (Note 10)	—	—	(5,561)	(5,561)
Appropriations from retained profits	—	1,794	(1,794)	—
At 31 December 2008	**97,252**	**20,481**	**88,866**	**206,599**

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 respective 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) Share premium and capital reserve

The balance included share premium which represents the premium arising from the issue of shares issued at a price in excess of their par value per share.

28. 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:

	Notes	**2008** *RMB'000*	2007 *RMB'000*
Holding company			
Sales made	(i)	**159**	—
Fellow subsidiaries			
Sales made	(i)	**8,549**	16,939
Rental income received	(ii)	**240**	240
Construction of advertising displays paid	(iii)	**16,917**	14,047
Related companies			
Sales made	(i)	**221**	333
Purchases made	(iv)	**—**	167

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

(ii) Rental income of investment properties was received from a fellow subsidiary in accordance with the rental agreement at an annual rental of RMB240,000 (2007: RMB240,000) for the year ended 31 December 2008.

(iii) On 21 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 1 January 2003 to 31 December 2005. There was no renewed master engineering and construction agreement between the Group and the fellow subsidiary since 1 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.

During the year, the Group had renewed the master engineering and construction agreement dated 4 December 2008 between the Group and the fellow subsidiaries.

(iv) No purchase (2007: purchase of RMB167,000) was made to a related company in respect of dissemination of outdoor advertisement and posters production services provided at market prices during the year.

28. RELATED PARTIES TRANSACTIONS (Continued)

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

	2008 *RMB'000*	2007 *RMB'000*
Short term benefits	**1,103**	1,165

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

(d) The balance represented a deposit paid to Nanjing Dahe Decoration Co., Ltd, a fellow subsidiary of the Group, for the construction of advertising displays.

Amounts due from related companies 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 both years.

(e) The balances represented the Group's and the Company's amount due to Fule (Nanjing) Lighting Appliance Co., Ltd. ("Fule Nanjing") of RMB232,000 (2007: RMB232,000) arising from purchases of lamps from Fule Nanjing. The Group and the Company had no amount due to related companies (2007: RMB213,000 of the Group and RMB2,000 of the Company) which are interest free, unsecured and repayable on demand.

(f) As at 31 December 2008, the Company's and the Group's bank loans of RMB146,000,000 (2007: RMB150,000,000) and RMB150,000,000 (2007: RMB150,000,000) respectively 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 25).

(g) As at 31 December 2008, the Company has given financial guarantee of RMB10,000,000 (2007: RMB10,000,000) for the bank facility granted to the holding company.

29. OPERATING LEASE ARRANGEMENTS

The Group as a lessee

	2008		2007	
	Land and buildings *RMB'000*	**Advertising rights** *RMB'000*	Land and buildings *RMB'000*	Advertising rights *RMB'000*
Minimum lease payment under operating leases recognised as an expense in the year	**4,695**	**88,432**	5,046	52,280

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

	2008		2007	
	Land and buildings *RMB'000*	**Advertising rights** *RMB'000*	Land and buildings *RMB'000*	Advertising rights *RMB'000*
Within one year	**3,971**	**34,866**	4,091	37,813
In the second to fifth years inclusive	**10,793**	**36,294**	8,555	36,200
After five years	**6,061**	**2,613**	3,743	13,232
	20,825	**73,773**	16,389	87,245

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.

29. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as a lessor

	2008		2007	
	Investment properties *RMB'000*	**Advertising sites** *RMB'000*	Land and buildings *RMB'000*	Advertising sites *RMB'000*
Minimum lease income earned under operating leases (Notes 5 & 6)	**1,033**	**170,964**	240	146,406

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

	2008		2007	
	Investment properties *RMB'000*	**Advertising sites** *RMB'000*	Land and buildings *RMB'000*	Advertising sites *RMB'000*
Within one year	**1,600**	**32,877**	—	58,565
In the second to fifth years inclusive	**807**	**7,928**	—	21,453
After five years	**—**	**1,285**	—	191
	2,407	**42,090**	—	80,209

The minimum lease receivables on investment properties represented rentals receivable by the Group on leasing of part of its leasehold properties to a fellow subsidiary as disclosed in Note 28(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.

30. DISPOSAL AND LIQUIDATION OF SUBSIDIARIES

In the year ended 31 December 2007, the Group's entire 58.5% effective equity interest in Shanghai Daxi Advertising Co., Ltd. ("Shanghai Daxi") was disposed to Ms. Ju Guanyu, a director of Shanghai Daxi, for a cash consideration of RMB1,610,000. Chongqing Dahe Basu Media Co., Ltd., a 60%-owned subsidiary, commenced liquidation on 15 May 2007, and was accounted for as an available-for-sale financial asset with effect from 15 May 2007 (Note 16).

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

	2007 *RMB'000*
Net assets disposed of and liquidated:	
Property, plant and equipment (Note 14(a))	20,393
Inventories	5,099
Trade and notes receivables	3,342
Other receivables, deposits and prepayments	4,008
Amount due from a related company	13,352
Bank balances and cash	4,595
Trade payables	(2,880)
Other payables, deposits received and accruals	(7,477)
Current tax liabilities	(147)
Net identifiable assets and liabilities	40,285
Minority interests	(14,138)
Gain on disposal of a subsidiary *(Note 6)*	497
Total consideration of disposal and net assets for distribution upon liquidation	26,644
Satisfied by:	
Property, plant and equipment received	3,606
Deemed as cost of available-for-sale financial asset	19,922
Amount due from a former subsidiary	1,506
Cash consideration	1,610
	26,644
Net cash inflow arising on disposal and liquidation of subsidiaries	
Cash consideration	1,610
Bank balances and cash disposed of and distributed upon liquidation	(4,595)
	(2,985)

31. COMMITMENTS

As at 31 December 2008, the Group and the Company had capital commitment of RMB35,670,000 (2007: RMB6,000,000) contracted but not provided for in respect of construction of outdoor advertising displays.

32. NON-CASH TRANSACTIONS

During the prior year, an other receivable of RMB2,380,000 was settled through transfer of an investment property to the Group (Note 13), and the additions to the property, plant and equipment of the Group and the Company included on interim distribution of property, plant and equipment of RMB3,606,000 from the liquidation of Dahe Basu.

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 25, bank balances and cash and pledged bank deposit 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 27 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 to 15% determined as the proportion of net debt to equity.

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

	2008 ***RMB'000***	2007 *RMB'000*
Bank borrowings	**250,000**	190,000
Bank balances and cash and pledged bank deposits	**(206,174)**	(171,247)
Net debt	**43,826**	18,753
Equity	**310,333**	310,084
Net debt to equity ratio	**14%**	6%

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 customers' 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 2% (2007: 10%) and 16% (2007: 26%) 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 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.

(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.

35. FINANCIAL RISK MANAGEMENT (Continued)

(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 price risk or commodity price risk.

(f) Fair values

All financial instruments are considered by directors to be carried at amounts not materially different from their fair values as at 31 December 2007 and 2008.

(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 31 December 2008 and 2007 may be categorised as follows:

	2008 *RMB'000*	2007 *RMB'000*
Financial assets:		
Loans and receivables (including cash and bank balances and pledged bank deposits)	**301,861**	259,107
Available-for-sale financial asset at cost	**—**	19,922
Financial liabilities measured at amortised cost	**319,363**	242,614

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,				
	2008	2007	2006	2005	2004
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
	(000)	*(000)*	*(000)*	*(000)*	*(000)*
TURNOVER	**361,002**	324,294	388,526	310,834	221,790
Cost of sales	**(245,364)**	(219,082)	(290,623)	(219,471)	(152,118)
Gross profit	**115,638**	105,212	97,903	91,363	69,672
Impairment loss on available-for-sale financial asset and amont due from a former subsidiary	**(20,300)**	—	—	—	—
Other revenue and gains	**6,148**	3,690	5,720	2,945	5,176
Distribution costs	**(37,266)**	(30,450)	(30,716)	(25,541)	(20,658)
Administrative expenses	**(42,737)**	(40,057)	(37,544)	(32,626)	(24,242)
Finance costs	**(14,569)**	(10,958)	(11,560)	(8,860)	(5,667)
Share of results of an associate	**—**	—	—	—	(375)
PROFIT BEFORE INCOME TAX	**6,914**	27,437	23,803	27,281	23,906
Income tax	**(2,611)**	(6,634)	(6,620)	(5,153)	(3,522)
PROFIT FOR THE YEAR	**4,303**	20,803	17,183	22,128	20,384
ATTRIBUTABLE TO:					
Equity holders of the Company	**1,745**	20,608	19,001	19,873	18,478
Minority interests	**2,558**	195	(1,818)	2,255	1,906
	4,303	20,803	17,183	22,128	20,384

ASSETS AND LIABILITIES

	31st December,				
	2008	2007	2006	2005	2004
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
	(000)	*(000)*	*(000)*	*(000)*	*(000)*
Non-current assets	**307,348**	290,892	217,147	234,689	238,770
Current assets	**355,902**	300,073	323,335	286,806	214,500
Current liabilities	**(352,917)**	(280,881)	(233,884)	(204,828)	(179,173)
Net current assets	**2,985**	19,192	89,451	81,978	35,327
Non-current liabilities	**—**	—	—	(25,400)	(995)
Net assets	**310,333**	310,084	306,598	291,267	273,102

Note:

1. The consolidated financial information as at 31st December, 2006, 2005 and 2004 are extracted from the Company's published annual reports. The consolidated financial information of the Group as at 31st December, 2008 and 2007 are as set out on pages 34 to 36 of the annual report.