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)

2009
Annual Report

*For identification Purposes only

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

Contents

BOARD OF DIRECTORS

Executive directors
HE Chaobing
YANG Jianliang

Non-executive directors
LI Huafei
HE Lianyi
HE Pengjun

Independent non-executive directors
YE Jianmei
SUN Yingcai
GE Jianya

AUDIT COMMITTEE
YE Jianmei
SUN Yingcai
GE Jianya

COMPANY SECRETARY
Wong Hudson

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
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Jardine House
1 Connaught Place
Hong Kong

AUDITOR
BDO 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 2009
(Expressed in Renminbi)

	2009	2008
	RMB'000	*RMB'000*
Revenue		
Turnover	**357,755**	361,002
Profitability		
Profit from operations	**31,533**	21,483
Profit attributable to shareholders	**7,947**	1,745
Net Worth		
Shareholders' funds	**298,283**	288,654
Per share		
Basic earnings per share (RMB)	**1cents**	0.2cents
Net assets attributable to equity holders of the Company per share (RMB)	**35.94cents**	34.78cents

FINANCIAL CALENDAR

Results for the year	Announcement on 25 March 2010
Annual report	Dispatched to shareholders in late March 2010
Annual general meeting	21 May 2010

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 2009.

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. The Group actively adjusted its business strategies and maintained its advantages in leading the creative outdoor media dissemination sector in the PRC by integrating advertising spaces and setting up appropriate advertising spaces at prime locations to overcome the constraints of advertisements and by optimizing and effectively differentiating its performance. The Group's "Enkon Express Media" is a small community dissemination service focusing on marketing in small community. With the brand-new upgrading of the e-business function, "Enkon Express Media" has become the Group's breakthrough in outdoor media dissemination. In terminal dissemination, the Group provides comprehensive terminal management service and has become the influential specialised network in the PRC providing one-stop terminal dissemination.

For the year ended 31 December 2009, the Group's turnover was approximately RMB357.76 million. Due to the limited advertising expenditures of our customers in the first half of the year, the Group's turnover decreased by approximately 0.9% from that of last year as a result of the completion of Beijing Olympics stadiums, despite the increase in advertising expenditures in the second half of the year. The Group's profits attributable to shareholders amounted to approximately RMB7.95 million, an increase of 355% over the same period last year. The earnings per share increased by 400% to RMB1 cent. Turnover for the year was mainly derived from outdoor media dissemination, totaling RMB225.85 million (2008: RMB194.85 million) and accounting for 63.13% of total turnover. Turnover from terminal dissemination and media production amounted to RMB94.46 million (2008: RMB102.25 million) and RMB37.44 million (2008: RMB63.91 million), accounting for 26.4% and 10.47% of total turnover respectively. The Group currently has outdoor media dissemination resources of approximately 200,000 square metres covering 64 cities in the PRC. During the year, the Group's outdoor media maintained an average launching rate of approximately 70%.

In face of the financial crisis and swine influenza during the year, people tend to have lower spending desire and hold a rejecting and doubting attitude toward excessively informative advertising media. "Enkon Express Media", which enjoys the advantage of low clutter, has fully fit into the daily life of consumers and managed to draw the attention of the community by optimizing media site resources . During the year, "Enkon Express Media" was developed into a life style marketing media and an efficient dissemination platform incorporating community activity information, community payment system, police affair announcements, personal electronic information and e-commerce. Its customers are engaged in various industries such as finance, insurance, real estate and fast-moving consumer goods. Currently, the "Enkon Express Media" has covered eight major cities in the PRC, including Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing, Shenyang, Hangzhou and Chengdu. A total of approximately 7,700 advertising boards targeting 9 million households with medium and high income in nearly 5,500 communities have been established. This project brought a turnover of approximately RMB64.47 million and a profit of RMB6.21 million to the Group, representing an increase of 57% and 68% over the same period last year respectively.

The An Kang business experienced rapid and strong growth in recent years and were popular with many domestic and international renowned brands. In 2009, An Kang performed dissemination works for large customers including Safeguard, Wang Laoji, Skyworth, Snow Beer, Sanyuan Dairy, Fumanduo, Anhui TV, Jiangsu TV, Industrial and Commercial Bank of China ("ICBC"), Huaxia Bank, Bank of Communications, NVC Lighting, Suning Electric, Mazda, the Thousand Island Lake, Huangshan Mountain, Wuzhen, Macalline etc.

The Group believes these projects will bring sustainable returns to the Group. As a breakthrough made by the Group in outdoor media, "Enkon Express Media" was upgraded into "Enkon Express Media 3.0" incorporating e-commerce features and had entered into cooperation agreements with a number of bank clients such as ICBC with an aggregate contract value of nearly RMB4 million. The Group expects to expand this brand-new information platform to the whole country with Jiangsu as the starting point so as to open up a new prospect for dissemination.

The Group established an activity operation centre, developed customer end marketing strategic activity partners by capitalising on the Company's background, network, production team and logistics system advantages, and made full use of the activity platform to undertake large-scale events, explore new profit growth points and have successfully organised a grand opening ceromony for 梁祝酒業 .

During the year, the Group entered into a cooperation agreement on market development with the office of the "Committee for Application for Hosting the 2014 the Second Summer Youths' Olympic Games" in Nanjing City, pursuant to which the Group became the only large advertising agency cooperating with the Olympics Application Committee of Nanjing City to undertake the marketisation operation for application for hosting the Youths' Olympic Games, and have successfully introduced NVC Lighting to contribute an amount of RMB2 million to finance the application works. Nanjing has won the hosting right for the Second Summer Youths' Olympic Games and the Group was also praised as "a meritorious unit for the bid to host the 2014 Youth's Olympic Games in Nanjing". And it is expected to bring more business opportunities and benefits to the Group in the future.

In view of the opportunities brought by international events including the 60th anniversary of the foundation of the People's Republic of China, the 2010 Shanghai World Expo and the 2010 Guangzhou Asian Games, all branches of the Group accelerated progress in government tender invitation and bidding projects and were able to win a number of projects, including the Pudong Airport project. Currently, the Group is following up with several major projects won.

During the year, the Group obtained the Certificate of Hi-tech Enterprise, which will bring about tax concessions for the Group for the coming year.

During the Year, the Group received a number of honours and rewards. In particular, the Group was named as the "Medium of Highest Investment Value" for its "Enkon Express Media 3.0" at the "08 China Media Investment Annual Conference", and our Chairman, Mr. He Chaobing, was named as a "08 China New Media Personality" for his new media 3.0 theory and he was also appointed as a visiting professor at the School of Journalism and Communication of Nanjing University.

During the Year, Chongqing Dahe Bashu Media Co., Ltd. (重慶大賀巴蜀傳媒有限公司), a former subsidiary of the Group, was still under the liquidation process. Up to present, Group has been allocated 11,552.5 square metres of outdoor media resources. The remaining media resources of 3,057.7 square metres are under sales. In February 2009, entrusted by the liquidation team of Chongqing Dahe Bashu Media Co., Ltd., the Chongqing Municipal Fifth Intermediate People's Court conducted public auction for the 10% equity interests in Sichuan Xintianjie Media Technology Development Co., Ltd. (四川新天傑傳媒科技發展有限責任公司) held by Chongqing Dahe Bashu Media Co., Ltd. The Company acquired 10% equity interests in Sichuan Xintianjie Media Technology Development Co., Ltd. (四川新天傑傳媒科技發展有限責任公司) for a consideration of RMB500,000. Further, the Company has engaged Guangdong Securities Limited as its compliance adviser for the period from 13 July 2009 to 12 July 2011. It has also engaged RSM Nelson Wheeler Consulting Limited as its consultant to review its internal control and has submitted a review report and a follow up report to the Stock Exchange on 10 August 2009 and 9 October 2009 respectively.

OUTLOOK

In 2009, the global financial crisis had a severe impact on the advertising market, but in the Chinese market, in spite of a relatively greater impact on the export-oriented economic fields, the fundamental trend for the consumer market is generally stable. Driven by the effective policies and strategies implemented by government to stabilise and promote economic development, as well as the favourable factor of the inflow of international brands to the Chinese market, the Chinese advertising market will soon recover. There is still ample room for the development of the advertising industry and it shows an overall stable and continuous development. In July 2009, the State Council approved the "Revitalisation Plan of Cultural Industry", Chinese Premier Wen Jiabao instructed that the creative industry should be fully developed and the advertising industry is one of the subjects of the eight major tasks specified in this revitalization plan. This is an obvious encouragement to the advertising industry.

In view of such positive factors and the fact that we were benefited by the plans adopted by the central government to stimulate domestic consumption, we are optimistic towards the prospect of the advertising industry of China in the future. The Group's customer base is mainly focused on domestic consumable commodities and may benefit directly from the improved economy. The Group will continue to make flexible strategies for the last quarter of the year in line with the demand of the market with a view to maximise profits by expanding its market shares. The Chinese government has promulgated laws to regulate outdoor media and outdoor advertisements and the local governments have gradually adopted allocation, tender and auction process to regulate outdoor advertisements, which is beneficial to the continuous and orderly development of outdoor advertisements in the long run. The Group will leverage on such regulation and strive to secure more high value-added resources for outdoor advertisements. At the same time, it is expected that more companies with foreign investments will be attracted to invest in outdoor advertisements to capture the huge market of China.

In the upcoming year, international events such as the 2010 Shanghai World Expo, the 2010 Guangzhou Asian Games will bring opportunities for China to demonstrate its rapid growth and prosperity to the world. The Group will make use of this opportunity and actively bid for projects of advertising display boards. It will also employ its successful experience obtained from the Olympic Games and actively participate in bidding for the special project of sign boards of Guangzhou Asian Games. Meanwhile, the Group will devote more resources to promote "Enkon Express Media" 3.0 and facilitate its end housekeeping service strategy, and make an active effort to expand its new information platform across the country. The Group will endeavour to maintain its leading edge in providing supply and dissemination services via a nationwide network by actively soliciting renowned customers from domestic and abroad, improving service quality and asset scale, enhancing corporate governance system and increasing the production and lease rates of multi-media system advertisements.

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 2010

BUSINESS REVIEW

For the year ended 31 December 2009, the Group's turnover amounted to approximately RMB357.76 million, a decrease of approximately 0.9% was noted when compare to last year turnover. The decrease in Group's turnover was mainly due to the limited advertising expenditures of the Group's customers in the first half of the year as a result of the completion of Beijing Olympics stadiums, despite an increase in advertising expenditures was note during the second half of the year. The Group's profits attributable to owners of the Company was amounted to approximately RMB7.95 million, an increase of 355% when compare to last year. The earnings per share increased by 400% to RMB1 cent.

Media Dissemination Business

For the year ended 31 December 2009, the Group's income from dissemination of outdoor and media advertisments recorded a turnover of approximately RMB225.85 million, an increase of approximately 15.9% 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, with business covering various cities in the PRC. The average launching rate of the Group's outdoor media remained at about 70%, with major customers from various industries such as fast moving consumer goods, machineries, real estates and tourism.

"Enkon Express Media" has entered into a contract with a value of RMB1 million with P&G (寶潔) for the next three quarters; and a number of dissemination agreements with, among others, Anhui TV, Wang Laoji, Mazda (長安馬自達) and Skyworth (創維). The Group believes these projects will bring sustainable returns to the Group. As a breakthrough made by the Group in outdoor media, "Enkon Express Media" was upgraded into "Enkon Express Media 3.0" incorporating e-commerce features and had entered into cooperation agreements with a number of bank clients such as ICBC with an aggregate contract value of nearly RMB4 million. The Group expects to expand this brand-new information platform to the whole country with Jiangsu as the starting point so as to open up a new prospect for dissemination.

During the year, "Enkon Express Media" experienced rapid development. "Enkon Express Media 3.0" has a number of functions including media dissemination, commonweal community information dissemination, self-help payment and coupon printing, and incorporates various high-tech functions such as wireless transmission and receiving and real-time information update, realizing a small community dissemination service focusing on marketing in small community. 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 94% and the degree of attraction was 89%. During the period, "Enkon Express Media" successfully expanded into additional cities, such as Shanghai, Beijing, Guangzhou, Shenzhen, Nanjing, Shenyang, Hangzhou, Chengdu.

The "Enkon Express Media" has established a community informatization platform with its features in precision, technology and interaction and penetrated into various communities across China. With its coverage of nearly 7,700 advertising spaces across China aiming to provide convenience for residents, "Enkon Express Media" is able to 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 Wang Laoji, ICBC, Bank of Communications, Suning Electric, KFC, Walmart and Skyworth have launched advertisements on "Enkon Express Media". In recognition of its modern computer and IT capabilities, the "Enkon Express Media" was named the "Media of Highest Investment Value for the year 2008".

Terminal dissemination service

During the year, the Group continued to further its terminal dissemination service business, which recorded a turnover of approximately RMB94.46 million, representing a decrease of 7.62% over last year. "Terminal Dissemination" continued to serve customers such as Nike, Wang Laoji, Wal-mart, Shell and P&G (寶潔). In view of the opportunities brought by international events including the 60th anniversary of the foundation of the People's Republic of China, the 2010 Shanghai World Expo and the 2010 Guangzhou Asian Games, all branches of the Group accelerated progress in government tender invitation and bidding projects and were able to win a number of projects, including the Pudong Airport T1 Terminal Building Logo Upgrade project, Logo, Signboard and Number Plate of several branches of Agricultural Bank of China and Logo and Signboard of Bank of China Anhui Branch. Currently, the Group is following up with several major projects won. The Group's 360° Business Terminal Manager currently serves a number of renowned brands including Nike, ICBC, Midea and Master Kong.

Media production business

During the year, the Group's media production business recorded a turnover of approximately RMB37.44 million, representing a decrease of 41.40% over last year and accounting for approximately 10.47% of the Group's total turnover. Through its national network, complete industry chain and strong execution, the Group provides its clients with a comprehensive range of terminal services.

Customer base development

During the year, in addition to consolidating its existing customer base and improving its service quality, the Group also expanded its high-end customer base. The group entered into a cooperation agreement with a contract value of RMB30 million with Wang Laoji, and commenced cooperation on media dissemination with Amway, Kebelco and Skyworth. It has signed a cooperation agreement with a contract value of over RMB23 million with Amway. "Enkon Express Media" has entered into a contract with a value of RMB1 million with P&G for the next three quarters; and a number of cooperation agreements with a value of RMB12 million with, among others, Anhui TV, Mazda (長安馬自達) and Skyworth (創維) for better cooperation. The Group believes these projects will bring sustainable returns to the Group.

During the year, through entering into a market development cooperation agreement with the Committee for Application for Hosting the 2014 the Second Summer Youths' Olympic Games in Nanjing City, the Group has become the only large-scale advertising company cooperating with the Committee to undertake the marketing of application for hosting the 2014 Youths' Olympic Games. The Group has successfully introduced 雷士照明 who has sponsored RMB2 million in the application. Now Nanjing City has obtained the right to host the Second Summer Youths Olympic Games. The Group has also been recognised as a unit who has contributed to Nanjing's successful application for hosting the 2014 Summer Youths Olympic Games, which is expected to bring about more businesses and profit margins to the Group in the future.

AWARDS AND HONOURS

Dahe Group

During the year, the Group had received various honours and awards, including the Certificate of Hi-tech Enterprise; Jinyuan award – Penetrating New Media of the Year; China's 60th anniversary – Most Competitive Company in China's Advertising Industry; Famous Brand of Tertiary Industry in Jiangsu; Famous Brand in Jiangsu.

Enkon Express Media

During the year, "Enkon Express Media 3.0" was named "Media of Highest Investment Value" at the "Annual Meeting of Media and Investment in China 2008"; Innovative Award of Outdoor Dissemination in China 2008; Most Valuable Advertising Career in 2009; Innovative Award of the First Innovative Product Design Competition in Nanjing.

Chairman

During the year, our Chairman, Mr. He Chaobing, was named as a "08 China New Media Personality" for his new media 3.0 theory and he was also appointed as a visiting professor at the School of Journalism and Communication of Nanjing University. He, together with great figures in China's innovation industry such as Zhang Yimou and Yu Qiuxu, was awarded "Award for Outstanding Contribution to China's Creative industry", and was named "People who made outstanding contribution to China's advertising industry in 30 Years" and "Jiangsu Entrepreneur who contributed to China's economy in 2009".

MAJOR EVENTS

During the year, Chongqing Dahe Bashu Media Co., Ltd. (重慶大賀巴蜀傳媒有限公司), a former subsidiary of the Group, was still under the liquidation process. 11,552.5 square metres of outdoor media resources was allocated to the Group by the liquidation team in the previous years and the remaining 3,057.7 square metres was for sale.

In February 2009, entrusted by the liquidation team of Chongqing Dahe Bashu Media Co., Ltd., the Chongqing Municipal Fifth Intermediate People's Court conducted public auction for the 10% equity interests in Sichuan Xintianjie Media Technology Development Co., Ltd. (四川新天傑傳媒科技發展有限責任公司) ("Xintianjie") held by Chongqing Dahe Bashu Media Co., Ltd. The Company acquired 10% equity interests in Sichuan Xintianjie Media Technology Development Co., Ltd. at the bid price of RMB500,000.

In February 2008, the Group entered into a share subscription agreement with MediaCorp Pte. Ltd. ("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. On 15 April 2009, the Company received a notice issued by MediaCorp termination the share subscription agreement. Further, on 21 December 2009, the Company received a notice issued by Nanjing Hi-tech Venture Capital Co, Ltd. informing the Company that the transfer of 50,000,000 existing domestic shares by Nanjing Hi-tech Venture Capital Co, Ltd. to MediaCorp pursuant to the sale and purchase agreement on 14 April 2008 has been terminated after mutual negotiation.

DIVIDENDS

The Board does not recommend the payment of dividend for the year ended 31 December 2009.

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, 2009, the Group did not consider or formulate any new investment plans.

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 a unified rate of 25%. Pursuant to the relevant laws and regulations of the PRC, since the Company is a qualified hi-tech enterprise, the Company enjoyed the preferential corporate income tax rate of 15% for the year ended 31 December 2009 while subsidiaries of the Company enjoyed the corporate income tax rate of 25% (2008: 25%). Income tax for 2009 was approximately RMB6.91 million, and in 2008 it was approximately RMB2.61 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, trade and other payables increased to RMB 32.82 million from approximately RMB29.62 million in 2008. Trade and other receivables increased to RMB110.22 million from RMB85.02 million in 2008.

As at 31 December 2009, bank balance and cash held by the Group amounted to RMB140.09 million; bank loans and other loans of the Group amounted to RMB201 million. Debt-Equity Ratio was approximately 62%, being the percentage of bank loans over net assets of RMB321.84 million.

Profits attributable to owners of the Company were approximately RMB7.95 million, an increase of approximately 355% as compared with RMB1.75 million for the last year.

SALES, GENERAL AND ADMINISTRATIVE EXPENSES

During 2009, sales, general and administrative expenses were approximately RMB89.84 million, while in 2008, it was approximately RMB80 million.

FINANCE COST

During 2009, finance cost was approximately RMB12.59 million, while in 2008 it was approximately RMB14.57 million.

MATERIAL LITIGATION

Chongqing Dahe Basu Media Co., Ltd., a former subsidiary of the Group, entered into liquidation on 15 May 2007 and a liquidation committee was established. During the year, the liquidation was in process. 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 had provided full impairment in last year. Save as above, the Group or any of its subsidiaries was not involved in any material litigation or arbitration.

MINORITY INTERESTS

As at 31 December 2009, minority interests amounted to approximately RMB23.56 million, while in 2008 it was approximately RMB21.68 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 under review, the net current assets of the Group were approximately RMB57.11 million, and net assets were approximately RMB321.84 million. In 2008, they were approximately RMB2.99 million and RMB310.33 million respectively.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

During the year, the Company had no acquisition or disposal of subsidiaries and associates apart from the 10% additional equity interests in Xintianjie through auction conducted by Chongqing Municipal Fifth International People's Court.

EMPLOYEES

As at 31 December 2009, 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.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group had no material contingent liabilities.

The Directors present their annual report for 2009 together with the Group's audited financial statements for the year ended 31 December 2009.

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. The revenue from the Group's largest customer amounted to less than 10% of the Group's total revenues.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 37.

The Board did not recommend a final dividend for the year ended 31 December 2009.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest customer and the five largest customers accounted for approximately 9% and 29% respectively of the Group's turnover.

During the reviewing period, 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 15 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 2009, the reserves of the Group available for cash distribution or distribution in specie amounted to approximately RMB215.28 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
YANG Jianliang

Non-executive directors:

LI Huafei
HE Lianyi
CHAN E Nam Viveca (resigned on 20 May 2009)
He Pengjun (appointed on 20 May 2009)

Independent non-executive directors

SUN Yingcai
GE Jianya
YE Jianmei

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 27 to page 28 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 13 to the financial statements.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the executive directors and supervisors has entered into a service contract with the Company 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 13 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 2009.

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

As at 31 December 2009, the interests and short positions of the Directors and the Supervisors (as if the requirements applicable to Directors under the Securities and Futures Ordinance ("SFO") were also applicable to the Supervisors) in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules were as follows:

Name of Director/Supervisor *(note 1)*	Name of company/ associated corporation	Capacity	Number and class of securities *(note 2)*	Approximate percentage of shareholding in the relevant class of securities
He Chaobing	The Company	Interest of a controlled corporation *(note 3)*	409,000,000 domestic shares of RMB0.10 each (L)	70.52%
He Lianyi	The Company	Beneficial owner	6,400,000 domestic shares of RMB0.10 each (L)	1.10%
Wang Mingmei	The 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. ("Dahe International") which was 90% owned by Mr. He Chaobing and 10% owned by Mr. He Pengjun, who is the son of Mr. He Chaobing.

Save as disclosed above, as at 31 December 2009, none of the Directors and the Supervisors has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to 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 2009, the following persons/entities had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO and were directly or indirectly interested in 10% or more of the shares of the Company:

Name of shareholder	Capacity	Number and class of securities *(note 1)*	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the share capital of the Group *(note 4)*
Dahe International	Beneficial owner	409,000,000 domestic shares of RMB0.10 each (L)	70.52%	49.28%
He Chaobing	Interest of a controlled corporation *(note 2)*	409,000,000 domestic shares of RMB0.10 each (L)	70.52%	49.28%
Yan Fen	Interest of spouse *(note 3)*	409,000,000 domestic shares of RMB0.10 each (L)	70.52%	49.28%

Notes:

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

2. The interest in the domestic shares were held through Dahe International which was 90% owned by Mr. He Chaobing and 10% owned by Mr. He Pengjun, who is the son of Mr. He Chaobing.

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

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

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

As at 31 December 2009, save for the persons/entities disclosed in sub-section A above, the following entities/persons had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Number and class of securities *(note 1)*	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the entire issued share capital of the Company *(note 3)*
Yan Jian	Beneficial owner	71,800,000 domestic shares of RMB0.10 each (L)	12.37%	8.66%
Nanjing State-owned Assets Management Holdings (Group) Company Limited (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's/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 60% owned by Nanjing State-owned Assets Investment Management Holdings (Group) Company Limited (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 an interest or a short position in the shares and underlying shares of the Company as recorded on 31 December 2009 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 2009 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 2009.

The related party transaction which are also connected transactions undertaken by the Group during the year under review are as follows and have complied with the disclosure requirements in Chapter 20 of the Listing Rules:

CONTINUING CONNECTED TRANSACTIONS

A. Engineering Agreement with 南京大賀裝飾工程有限公司 (Nanjing Dahe Decoration Engineering Co., Ltd.*) ("Nanjing Dahe Decoration")

Parties	:	(i) the Company (ii) Nanjing Dahe Decoration, a company which is owned as to 90% by江蘇大賀國際廣告集團有限公司(Jiangsu Dahe International Advertising Group, Co., Ltd.*) ("Dahe International") and 10% by Ms. Yan Fen, the spouse of Mr. He Chaobing.
Date	:	4 December 2008
Agreement	:	Pursuant to the Engineering Agreement, the Group has agreed to engage Nanjing Dahe Decoration to construct and install poles, frames or other outdoor advertisement fixtures for a term of three years commencing from 1 January 2009 to 31 December 2011.
Pricing policy	:	The service fees payable by the Group shall be determined on a case by case basis and on such terms of agreements to be entered into between the Company and Nanjing Dahe Decoration, provided that the service fees charged by Nanjing Dahe Decoration is no more than the service fees the Company pays to other independent suppliers.

Payment term	:	The payment term for the fees to be paid by the Group to Nanjing Dahe Decoration in respect of the services provided by Nanjing Dahe Decoration will vary from case to case depending on the terms of the agreements to be entered into between the Group and Nanjing Dahe Decoration for each project. In general, however, the Group will pay 30% of the fees to Nanjing Dahe Decoration upon the signing of the agreement and the remaining sum will be paid to Nanjing Dahe Decoration immediately after the completion and acceptance of the services provided by Nanjing Dahe Decoration.
Annual cap and transaction amount in 2009	:	The annual cap for the year ended 31 December 2009 is RMB35,000,000 and the actual transaction amount under the Engineering Agreement in 2009 is RMB11,261,070.

B. Production Service Agreement with Dahe International and Mr. He Chaobing

Parties	:	(i) the Company
		(ii) Dahe International
		(iii) Mr. He Chaobing
Date	:	4 December 2008
Agreement	:	Pursuant to the Production Service Agreement, Dahe International and Mr. He Chaobing have agreed to engage and procure their respective associate companies to engage the Group to provide advertising production services for a term of three years commencing from 1 January 2009 to 31 December 2011.
Pricing policy	:	The design and production fees and the advertising fees shall be determined on a case by case basis and on such terms of agreements to be entered into between the Company and Dahe International or the relevant party (being the associate companies of Dahe International or Mr. He Chaobing) provided that the service fees charged by the Group to Dahe International is no less favourable to the Group than the service fees the Group would charge other independent customers.
Payment term	:	The payment term for the fees to be paid by Dahe International or the relevant party (being the associate companies of Dahe International or Mr. He Chaobing) to the Group in respect of the advertising production services provided by the Group will vary from case to case depending on the terms of the agreements to be entered into between the Company and Dahe International or the relevant party for each project. In general, however, Dahe International or the relevant party will pay 30% of the fees to the Company upon the signing of the agreement and the remaining sum will be paid to the Company immediately after the completion and its acceptance of the services provided by the Company.
Annual cap and transaction amount in 2009	:	The annual cap for the year ended 31 December 2009 is RMB20,000,000 and the actual transaction amount under the Production Service Agreement in 2009 is RMB2,274,189.

C. Graphic Production Agreement with 北京千禧安康國際傳媒廣告有限公司 (Beijing Millennium Ankang International Media Co., Ltd.*) ("Beijing Ankang")

Parties	:	(i) the Company (ii) Beijing Ankang, a company owned as to 51% and 49% by the Company and Dahe International respectively
Date	:	4 December 2008
Agreement	:	Pursuant to the Graphic Production Agreement, subject to the Independent Shareholders' approval at the Extraordinary General Meeting, Beijing Ankang and its subsidiaries have agreed to engage and procure their respective associate companies to engage the Group to provide graphic production service for a term of three years commencing from 1 January 2009 to 31 December 2011.
Pricing policy	:	The graphic production fees shall be determined on a case by case basis and on such terms of agreements to be entered into between the Company and Beijing Ankang or the relevant party (being the subsidiaries of Beijing Ankang or their respective associate companies) provided that the service fees charged by the Group to Beijing Ankang is no less favourable to the Group than the service fees the Group would charge other independent customers.
Payment term	:	The payment terms in respect of the service fees to be paid by Beijing Ankang or the relevant party (being the subsidiaries of Beijing Ankang or their respective associate companies) to the Group for the graphic production service provided by the Group will vary from case to case depending on the terms of the agreements to be entered into between the Company and Beijing Ankang or the relevant party for each project. In general, however, Beijing Ankang or the relevant party will pay the service fee to the Company immediately after the completion and its acceptance of the graphic production services provided by the Company.
Annual cap and transaction amount in 2009	:	The annual cap for the year ended 31 December 2009 is RMB5,000,000 and the actual transaction amount under the Graphic Production Agreement in 2009 is RMB0.

FINANCIAL ASSISTANCE

D. Financial assistance to Dahe International or its subsidiaries - Master Guarantee Agreement

The Company and Dahe International have entered into a Master Guarantee Agreement on 4 December 2008. Pursuant to the New Master Guarantee Agreement, the Company has agreed, on a non-commitment basis and subject to conditions of the Master Guarantee Agreement, to provide guarantee to any third party in respect of loan granted to Dahe International and its subsidiaries for a revolving amount not exceeding RMB80,000,000 for each of the three financial years ending 31 December 2011. In other words, the maximum liability of the Group throughout each of the financial years ending 31 December 2009, 2010 and 2011 under the Master Guarantee Agreement will not be more than RMB80,000,000. In case Dahe International and/or its subsidiaries fail to repay any loan, which will be guaranteed by the Company, the Company will repay such loan out of its internal resources.

Further, under the terms of the Master Guarantee Agreement, if the Company decides to provide guarantee for Dahe International or its subsidiaries, the respective guarantee shall be subject to, inter alia, the following conditions:

(i) Dahe International shall provide counter-indemnity, which shall be to the satisfaction of the Company, to the Company; and

(ii) the directors of Dahe International shall provide personal guarantee, which shall be to the satisfaction of the Company, to the Company.

Pursuant to the Master Guarantee Agreement, even though the said conditions have been complied with, the Company still has the absolute discretion to determine not to provide guarantee to Dahe International or its subsidiaries. The Company does not have any obligation to compensate and/or indemnify any person, including Dahe International or its subsidiaries. In return, if the Company decides to provide guarantee for Dahe International or its subsidiaries, the Company will receive 4% of the guaranteed amount as the fee for the issue of guarantee.

The maximum daily balance (together with interest/fee), i.e. the annual caps, for the transactions under the Master Guarantee Agreement are RMB83,200,000 for the three financial years ending 31 December 2011. The difference between the annual cap and the maximum amount guaranteed by the Group for the respective financial year represents the return, including the fee and interest (if any), received by the Group for the issue of guarantee. Throughout the year 2009, the transactions under the Master Guarantee Agreement have not exceeded the annual cap and as at 31 December 2009, the daily balance under the Master Guarantee Agreement is RMB30,000,000 with a prevailing interest rate of 5.31% p.a..

E. Financial assistance to 南京安康科技有限公司 (Nanjing Ankang Technology Co., Ltd.*) ("Nanjing Ankang") - Guarantee Agreement

On 4 December 2008, the Company and Nanjing Ankang (a company wholly-owned by Beijing Ankang) have entered into a Guarantee Agreement with Nanjing Ankang, pursuant to which the Company agrees, on a non-commitment basis and subject to conditions of Guarantee Agreement, to provide guarantee to any third party in respect of loan granted to Nanjing Ankang for a revolving amount not exceeding RMB50,000,000 for each of the three financial years ending 31 December 2011. In other words, the maximum liability of the Group throughout each of the financial years ending 31 December 2009, 2010 and 2011 under the Guarantee Agreement will not be more than RMB50,000,000. In case Nanjing Ankang fails to repay any loans which will be guaranteed by the Company, the Company will repay such loans out of its internal resources.

Under the terms of the Guarantee Agreement, if the Company decides to provide guarantee for Nanjing Ankang, the respective guarantee shall be subject to, inter alia, the following conditions:

(i) Nanjing Ankang and/or Dahe International, holder of the remaining 49% interest in Beijing Ankang, shall provide counter-indemnity and/or indemnity, which shall be to the satisfaction of the Company, to the Company; and

(ii) the directors of Nanjing Ankang and/or Dahe International shall provide personal guarantee, which shall be to the satisfaction of the Company, to the Company.

Even though the said conditions have been complied with, the Company still has the absolute discretion to determine not to provide guarantee to Nanjing Ankang. The Company does not have any obligation to compensate and/or indemnify any person including Nanjing Ankang. If the Company decides to provide guarantee for Nanjing Ankang, the Company will receive 4% of the guaranteed amount as the fee for the issue of guarantee.

The maximum daily balances (together with interest/fee), i.e. the annual caps, for the transactions under the Guarantee Agreement are RMB52,000,000 for the three financial years ending 31 December 2011. The difference between the annual cap and the maximum amount guaranteed by the Group for the respective financial year represents the return, including the fee and interest (if any), received by the Group for the issue of guarantee. Throughout the year 2009, the transactions under the Guarantee Agreement have not exceeded the annual cap and as at 31 December 2009, the daily balance under the Guarantee Agreement is RMB0.

F. Financial assistance to Beijing Ankang - Financial Assistance Agreement

Furthermore, on 4 December 2008, the Company has entered into a Financial Assistance Agreement with Beijing Ankang, pursuant to which the Company has agreed, on a non-commitment basis and subject to conditions of Financial Assistance Agreement, to provide financial assistance to Beijing Ankang for an amount not exceeding RMB75,000,000 for each of the three financial years ending 31 December 2011. In other words, the maximum liability of the Group throughout each of the financial years ending 31 December 2009, 2010 and 2011 under the Financial Assistance Agreement will not be more than RMB75,000,000. The Company will satisfy its financial obligations under the Financial Assistance Agreement out of its internal resources.

Under the terms of the Financial Assistance Agreement, if the Company decides to provide any financial assistance to Beijing Ankang, the respective financial assistance shall be subject to, inter alia, the following conditions:

(i) Beijing Ankang and/or Dahe International, holder of the remaining 49% interest in Beijing Ankang, shall provide counter-indemnity and/or indemnity, which shall be to the satisfaction of the Company, to the Company; and

(ii) the directors of Beijing Ankang and/or Dahe International shall provide personal guarantee, which shall be to the satisfaction of the Company, to the Company.

Pursuant to the Financial Assistance Agreement, even though the said conditions have been complied with, the Company still has the absolute discretion to determine not to provide financial assistance to Beijing Ankang. The Company does not have any obligation to compensate and/or indemnify any person including Beijing Ankang. If the Company decides to provide any financial assistance to Beijing Ankang, the Company will receive interest calculated with reference to the lending rate quoted by the People's Bank of China for providing such financial assistance.

The maximum daily balances (together with interest/fee), i.e. the annual caps, for the transactions under the Financial Assistance Agreement are RMB84,000,000 for the three financial years ending 31 December 2011. The difference between the annual cap and the maximum amount of the financial assistance offered by the Group for the respective financial year represents the return, including the interest, received by the Group for the offer of the financial assistance. Throughout the year 2009, the transactions under the Financial Assistance Agreement have not exceeded the annual cap and as at 31 December 2009, the daily balance under the Financial Assistance Agreement is RMB0.

G. Provision of Financial assistance by Dahe International

The Company and Dahe International have entered into a Master Finance Agreement on 4 December 2008. Pursuant to the Master Finance Agreement, Dahe International has agreed to provide guarantee in favour of any third party in respect of loan granted to the Company and/or its subsidiaries for a revolving amount not exceeding RMB200,000,000 for each the three financial years ending 31 December 2011. Dahe International shall receive no consideration for the issue of the guarantee. As at 31 December 2009, the daily balance under the Master Finance Agreement is RMB140,000,000 with a prevailing interest rate of 5.31% p.a..

AUDIT COMMITTEE

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2009, and has accordingly provided advice and recommendations.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 29 to 34 of the annual report.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

As updated and notified by the Company's compliance adviser, Guangdong Securities Limited (the "Compliance Adviser"), none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2009 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to an agreement dated 13 July 2009 entered into between the Company and the Compliance Adviser, the Compliance Adviser will receive a fee for acting as the Company's compliance adviser for the period from 13 July 2009 to 12 July 2011 or until the agreement is terminated in accordance with the terms and conditions set out therein.

AUDITOR

The financial statements have been audited by BDO Limited in Hong Kong, whose term will expire and who will be eligible for re-appointment.

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 2010

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 2009. 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 2009.

The Supervisory Committee considers that resolutions of the Board meetings held in 2009 have better protected the interests of the Company, and the audit reports issued by BDO Limited in Hong Kong 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 2009, 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 2010

DIRECTORS

Executive Directors

He Chaobing (賀超兵), male, aged 50, senior economist. He graduated from the School of Business of Nanjing University, with a degree of EMBA, and was the founder of the Group. He is currently an executive Director and president of the Group, the leader of Outdoor Advertising Committee of China Advertising Association (中國廣告協會戶外廣告委員會主任), member of the China Advertising Professional Technical Qualification Appraisal Committee (中國廣告協會學術委員會), member of the Academic Committee of China Advertising Association (中國廣告專業技術資格評定委員會), deputy head of Jiangsu Advertising Association (江蘇省廣告協會), member of the Nanjing Municipality People's Political Consultative Conference (中國人民政治協商會議), deputy head of Nanjing Industrial and Commercial Union (Trade Union) (南京市工商聯合會) (商會).

Yang Jianliang (楊建良), male, aged 44, a Canadian Chinese, graduated from the Faculty of Science of Nanjing University and International Commercial College, Canada Securities College, Ryerson Polytechnic University of Canada (加拿大懷爾遜大學), with MBA degree, bachelor degree in both Science and economics. He is currently the secretary of Board of Directors and vice President of the Group and a member of the Global Outdoor Audience Monitoring Outline Technology Committee (全球戶外受眾監測綱要技術委員會) and the Expert Consultants Committee of China Advertising Association. He worked in government authorities and real estate groups in the PRC from 1990 to 1999, and worked in the North American International Group of Canada, engaging in investment and marketing from 1999 to 2004. He joined the Group in 2004 and and has been overlooking media operations. He has been responsible for the Group's strategy and investment since 2006.

Non-executive Directors

Li Huafei (李華飛), male, aged 46, graduated from the Scientific Research Institute of the Ministry of Finance in 1991. He is currently a non-executive Director of Dahe Group, general manager of Nanjing Hi-Tech Venture Capital (南京市高新技術風險投資股份有限公司). Previously, he has been the deputy general manager 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 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 Advertising Engineering Industrial Co., Ltd.

He Pengjun (賀鵬君), male, aged 25, graduated from Business Faculty of the University of Hertfordshire in the United Kingdom. He has been working for A.O. Smith as Management Trainee since July 2008 and resigned in July 2008. He has been a non-executive director of Dehe Media Co., Ltd." since 20 May 2006.

Independent non-executive Directors

Sun Yingcai (孫英才), male, aged 63. 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..

Ge Jianya (葛建亞), male, aged 56. He 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.

Ye Jianmei (葉建梅), female, aged 47, senior economist, certified 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.

SUPERVISORS

Wang Mingmei (王明梅), female, aged 61, 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.

Liu Jianbo (劉建波), male, aged 38, 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 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).

Xue Guiyu (薛貴餘), male, aged 50, is a representative nominated by the employees of the Group on the Supervisory Committee. Mr. Xue has worked in a manufacturing company in Nanjing for over 10 years. Mr. Xue joined the Company in 2000.

SENIOR MANAGEMENT

Qin Chao (秦超), male, aged 56, graduated from the School of Distance Learning of the Central Communist Party (中央黨校函授學院) in June 1988 studying managerial economics. He joined the Group in 2001, and is currently the Vice President of the Group. Mr. Qin has 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 secretary to the Board and assistant manager 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 33, 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. 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 amended from time to time as its corporate governance practice.

The Board considers that the Company has complied with the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules save and except that 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.

In accordance with the directors of the GEM Listing Committee, the Company has engaged Guangdong Securities Limited as its compliance adviser for the period from 13 July 2009 to 12 July 2011. It has also engaged RSM Nelson Wheeler Consulting Limited as its consultant to review its internal control and has submitted a review report and a follow up report to the Stock Exchange on 10 August 2009 and 9 October 2009 respectively. The directors have also undergone training on the GEM Listing Rules compliance and directors' duties given by the Hong Kong Institute of Directors.

(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
YANG Jianliang

Non-executive directors:

LI Huafei	
HE Lianyi	
CHAN E Nam, Viveca	(resigned on 20 May 2009)
HE Pengjun	(appointed on 20 May 2009)

Independent non-executive directors:

SUN Yingcai
GE Jianya
YE Jianmei

(ii) Operation of the Board

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

The post of Chief Executive Officer of the Company is 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, and HE Chaobing and HE Pengjun who are father and son, 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 2009
Executive Directors:	
HE Chaobing	6/6
YANG Jianliang	6/6
Non-executive directors:	
CHAN E Nam, Viveca	1/6
LI Huafei	6/6
HE Lianyi	6/6
HE Pengjun	4/6
Independent non-executive directors:	
SUN Yingcai	6/6
GE Jianya	6/6
YE Jianmei	6/6
Number of meetings held during the year	6

(D) BOARD COMMITTEES AND BOARD AD HOC COMMITTEES

The Board has established various board committees, including the Audit Committee, the Remuneration Committee and the Nomination 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 2009, 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 2009
YE Jianmei *(Chairman)*	4/4
GE Jianya	4/4
SUN Yingcai	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 2009, 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 2009, 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 2009
HE Chaobing	(Chairman)	1/1
YE Jianmei		1/1
GE Jianya		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 2009 to review the remuneration policies for directors.

(iii) Nomination Committee

The Company has worked out the terms of reference of the Nomination Committee pursuant to the requirements of the Stock Exchange. The Nomination Committee comprises three directors. Currently, the members of the Nomination Committee are: Yang Jianliang, Ge Jianya and Ye Jianmei. Yang Jianliang is the chairman of the Nomination Committee.

As at 31 December 2009, the following table sets out the attendance of the members of the Nomination Committee at meetings of the Nomination Committee during the year:-

		Attendance at meetings/number of meetings held for the year ended 31 December 2009
YANG Jianliang	(Chairman)	1/1
GE Jianya		1/1
YE Jianmei		1/1
Number of meetings held during the year		1

(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 2009, the Group's external auditors provided the following services to the Group:

	2009 *RMB'000*
Audit services	1,000

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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 37 to 96, which comprise the consolidated and the company statements of financial position as at 31 December 2009, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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, in accordance with the terms of our engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the 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.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to the fact that because our audit opinion dated 25 March 2009 on the financial statements of the Group for the year ended 31 December 2008 was qualified for scope limitations based on reasons summarised in the basis for qualified opinion section therein, the comparative amounts shown in these financial statements may not be comparable with the amounts for the current year.

BDO Limited
Certified Public Accountants

Choi Man On
Practising Certificate Number P02410

Hong Kong, 25 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Turnover	6	**357,755**	361,002
Cost of sales	9	**(246,669)**	(245,364)
Gross profit		**111,086**	115,638
Fair value gain on investment properties	14	**1,852**	—
Other income and net gain	7	**8,436**	6,148
Impairment losses on available-for-sale financial asset and amount due from a former subsidiary	28	**—**	(20,300)
Distribution costs		**(42,446)**	(37,266)
Administrative expenses		**(47,395)**	(42,737)
Finance costs	8	**(12,588)**	(14,569)
Profit before taxation	9	**18,945**	6,914
Income tax	10	**(6,910)**	(2,611)
Profit and total comprehensive income for the year		**12,035**	4,303
Attributable to:			
Owners of the Company	9	**7,947**	1,745
Minority interests		**4,088**	2,558
		12,035	4,303
Earnings per share – Basic (RMB)	11	**0.010**	0.002

At 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	14	**32,708**	30,856
Property, plant and equipment	15(a)	**177,187**	169,864
Construction in progress	15(b)	**3,234**	24,495
Land use right	16	**2,400**	2,457
Goodwill	17	**15,679**	15,679
Other intangible assets	18	**2,808**	2,996
Deposit paid to a fellow subsidiary	29(d)	**29,736**	56,021
Deferred tax assets	10	**4,980**	4,980
Available-for-sale financial asset	28	**—**	—
Total non-current assets		**268,732**	307,348
Current assets			
Inventories	20	**6,583**	7,938
Trade and note receivables	21	**110,233**	85,021
Other receivables, deposits and prepayments	22	**52,088**	53,690
Amount due from a fellow subsidiary	29(e)	**34,489**	—
Amount due from a former subsidiary	28	**937**	1,128
Amounts due from related companies	29(e)	**2,163**	1,951
Bank balances and cash and pledged bank deposits	23	**140,089**	206,174
Total current assets		**346,582**	355,902
Current liabilities			
Trade payables	24	**27,822**	21,518
Other payables, deposits received and accruals	24	**4,996**	8,100
Deferred advertising income		**27,545**	18,899
Amount due to holding company	29(c)	**22,756**	44,675
Amount due to related companies	29(f)	**767**	232
Bank borrowings	25	**197,000**	250,000
Income tax payables		**5,758**	5,333
Other tax payables		**2,826**	4,160
Total current liabilities		**289,470**	352,917
Net current assets		**57,112**	2,985
Total assets less current liabilities		**325,844**	310,333
Non-current liability			
Bank borrowings	25	**4,000**	—
NET ASSETS		**321,844**	310,333

At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	26	**83,000**	83,000
Reserves		**215,283**	205,654
Equity attributable to owners of the Company		**298,283**	288,654
Minority interests		**23,561**	21,679
TOTAL EQUITY		**321,844**	310,333

On behalf of the board

He Chaobing
Director

Yang Jianliang
Director

Statement of Financial Position

At 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	14	**32,708**	30,856
Property, plant and equipment	15(a)	**61,559**	74,335
Construction in progress	15(b)	**2,796**	—
Land use right	16	**2,400**	2,457
Other intangible assets	18	**1,337**	1,400
Investments in subsidiaries	19	**64,410**	63,885
Deposit paid to a fellow subsidiary	29(d)	**21,648**	56,021
Deferred tax assets	10	**4,980**	4,980
Available-for-sale financial asset	28	**—**	—
Total non-current assets		**191,838**	233,934
Current assets			
Inventories	20	**4,912**	5,019
Trade and note receivables	21	**73,412**	61,952
Other receivables, deposits and prepayments	22	**23,934**	24,049
Amounts due from a fellow subsidiary	29(e)	**34,489**	—
Amounts due from subsidiaries	19	**75,457**	54,933
Amount due from a former subsidiary	28	**177**	177
Amounts due from related companies	29(e)	**1,630**	1,934
Bank balances and cash and pledged bank deposits	23	**125,899**	192,390
Total current assets		**339,910**	340,454
Current liabilities			
Trade payables	24	**22,390**	14,606
Other payables, deposits received and accruals	24	**3,285**	3,848
Deferred advertising income		**17,243**	11,497
Amounts due to subsidiaries	19	**631**	3,374
Amounts due to related companies	29(f)	**88**	232
Bank borrowings	25	**185,000**	246,000
Income tax payables		**2,058**	2,684
Other tax payables		**2,047**	2,548
Total current liabilities		**232,742**	284,789
Net current assets		**107,168**	55,665
NET ASSETS		**299,006**	289,599

At 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CAPITAL AND RESERVES			
Share capital	26	**83,000**	83,000
Reserves	27	**216,006**	206,599
TOTAL EQUITY		**299,006**	289,599

On behalf of the board

He Chaobing
Director

Yang Jianliang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Share capital *RMB'000* (Note 26)	Share premium and capital reserves *RMB'000* (Note 27(i))	Statutory surplus reserve *RMB'000* (Note 27(ii))	Retained profits *RMB'000*	Attributable to owners of the Company *RMB'000*	Minority interests *RMB'000*	Total *RMB'000*
Balance at 1 January 2008	83,000	95,914	19,655	92,394	207,963	19,121	310,084
Total comprehensive income for the year	—	1,507	—	1,745	3,252	2,558	5,810
Dividend declared and paid in respect of the previous year (Note 12)	—	—	—	(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
Total comprehensive income for the year	—	—	—	7,947	7,947	4,088	12,035
Discount on acquisition of additional equity interest in a subsidiary (Note 19)	—	—	—	1,682	1,682	(2,206)	(524)
Appropriations from retained profits	—	—	2,027	(2,027)	—	—	—
Balance at 31 December 2009	83,000	97,421	23,476	94,386	215,283	23,561	321,844

Consolidated Statement Cash Flows

For the year ended 31 December 2009

	2009 *RMB'000*	2008 *RMB'000*
Cash flows from operating activities		
Profit before taxation	**18,945**	6,914
Adjustments for:		
Interest income	**(2,981)**	(1,484)
Interest expense	**11,635**	14,008
Depreciation	**32,272**	32,551
Fair value gain on investment properties	**(1,852)**	—
Amortisation of other intangible assets and land use right	**285**	311
Impairment loss on available-for-sale financial asset	**—**	19,922
Loss/(gain) on disposal of property, plant and equipment	**678**	(5)
Allowance for bad and doubtful debts	**7,020**	4,104
Allowance for other receivables, deposits and prepayments	**2,640**	3,620
Allowance for obsolete inventories	**312**	1,416
Impairment loss on amount due from a former subsidiary	**—**	378
Operating cash flows before working capital changes	**68,954**	81,735
Decrease/(increase) in inventories	**1,043**	(1,953)
Increase in trade and note receivables	**(32,232)**	(14,809)
Increase in other receivables, deposits and prepayments	**(1,038)**	(13,245)
Increase in amounts due from a fellow subsidiary	**(34,489)**	—
Decrease in amount due from a former subsidiary	**191**	—
Increase in amounts due from related companies	**(212)**	(413)
Increase in trade payables	**6,304**	173
(Decrease)/increase in other payables, deposits received and accruals	**(3,104)**	1,555
Increase/(decrease) in deferred advertising income	**8,646**	(8,394)
(Decrease)/increase in amount due to holding company	**(21,919)**	18,921
Increase/(decrease) in amounts due to related companies	**535**	(213)
(Decrease)/increase in other tax payables	**(1,334)**	491
Cash (used in)/generated from operations	**(8,655)**	63,848
Interest paid	**(11,635)**	(14,008)
PRC income tax paid	**(6,485)**	(8,088)
Net cash (used in)/generated from operating activities	**(26,775)**	41,752

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(17,018)**	(35,270)
Proceeds on disposal of property, plant and equipment	**980**	330
Addition of other intangible assets	**(40)**	—
Release/(addition) of pledged bank deposits	**50,000**	(30,000)
Payments for construction in progress	**(2,974)**	(25,952)
Interest received	**2,981**	1,484
Decrease/(increase) in desposit paid to a fellow subsidiary	**26,285**	(1,696)
Acquisition of additional equity interest of a subsidiary	**(524)**	(160)
Net cash generated from/(used in) investing activities	**59,690**	(91,264)
Cash flows from financing activities		
New bank borrowings	**217,000**	388,000
Repayment of bank borrowings	**(266,000)**	(328,000)
Dividends paid	**—**	(5,561)
Net cash (used in)/generated from financing activities	**(49,000)**	54,439
Net (decrease)/increase in cash and cash equivalents	**(16,085)**	4,927
Cash and cash equivalents at beginning of year	**156,174**	151,247
Cash and cash equivalents at end of year	**140,089**	156,174
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**140,089**	206,174
Less: Pledged bank deposits	**—**	(50,000)
	140,089	156,174

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 engage 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 PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention, except for investment properties that are carried at fair value.

(c) Functional and presentation currency

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

3. ADOPTION OF NEW AND REVISED STANDARDS

(a) Adoption of new and revised HKFRSs

The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the current accounting period:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) - Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) - Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) - Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) - Interpretation 18	Transfers of Assets from Customers

The adoption of the above new/revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods, except for following changes:

HKAS 1 (Revised) "Presentation of Financial Statements"

The revised standard affects certain disclosures of financial statements. Under the revised standard, the Income Statement, the Balance Sheet and the Cash Flow Statements are renamed as the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Cash Flows respectively. All income and expenses arising from transactions with non-owners are presented under the Statement of Comprehensive Income; while the owners' changes in equity are presented under the Statement of Changes in Equity.

3. ADOPTION OF NEW AND REVISED STANDARDS (continued)

(a) Adoption of new and revised HKFRSs (continued)

HKFRS 7 (Amendments) Improving Disclosures about Financial Statements

The amendments to HKFRS 7 expand the disclosure relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities including issued financial guarantee contracts.

(b) Potential impact arising on HKFRSs not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective, but potentially relevant to the Group's operations.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
Amendments to HKAS 32	Classification of Rights Issues [4]
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions [3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKFRS 3 (Revised)	Business Combinations [1]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners [1]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[5]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKFRS 9	Financial Instruments[7]

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 July 2009 and 1 January, 2010, as appropriate

[3] Effective for annual periods beginning on or after 1 January 2010

[4] Effective for annual periods beginning on or after 1 February 2010

[5] Effective for annual periods beginning on or after 1 July 2010

[6] Effective for annual periods beginning on or after 1 January 2011

[7] Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions.

3. ADOPTION OF NEW AND REVISED STANDARDS (continued)

(b) Potential impact arising on HKFRSs not yet effective (continued)

The amendment to HKAS 17 made under the "Improvements to HKFRSs 2009", mandatory for accounting periods beginning on or after 1 January 2010, removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgement to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group will reassess the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the lease and recognise a lease newly classified as a finance lease retrospectively if the criteria of a finance lease is met.

The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

4. PRINCIPAL ACCOUNTING POLICIES

(a) 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 statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All 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.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) 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 4(d) 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.

The Group applies a policy of treating transactions with minority interests as transactions with owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recognised in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recognised in equity.

(c) Subsidiaries

A subsidiary 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.

Investments in subsidiaries are included in the Company's statement of financial position 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.

(d) 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.

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.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

Property, plant and equipment including buildings held for use in production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position 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 or depreciation rate are as follows:

Outdoor advertising displays	
– Highway boards	20 years
– Enkon boards	10 to 12 years
Buildings	40 years
Leasehold improvements	Over the remaining term of the lease
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.

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.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Construction in progress – outdoor advertising displays

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 property, plant and equipment and depreciated in accordance with the accounting policy of depreciation.

(g) 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 4(e) 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 4(e) above.

(h) 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.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, 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 or an impairment loss previously recognised no longer exists or may have reduced. 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.

(j) Inventories

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

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) 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.

(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) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. 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 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.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Financial assets (continued)

(ii) Impairment of financial assets (continued)

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

— 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 has 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.

(iii) 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.

(iv) 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.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(l) 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 guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(iv) Financial liabilities

The Group's financial liabilities, including bank borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method (Note 4(k)), with interest expense recognised on an effective yield basis.

(v) Derecognition of financial liabilities

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

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(m) 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.

(n) 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 end of reporting period, 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.

(o) 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 statement of financial position 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.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(p) 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.

(q) 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.

(r) 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 statement of comprehensive income 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 end of reporting period.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(r) Taxation (continued)

(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 the end of each reporting period 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 end of reporting period. 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 end of reporting period, 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.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(s) 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").

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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. 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 the transaction of non-monetary items that are carried at fair value with changes in fair value recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

(t) 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 end of reporting period.

(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.

(u) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(v) 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 the dissemination of outdoor advertising displays and media advertisements is recognised over the term of the relevant contract and to the extent of services rendered.

(ii) 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 collectability of the related receivable is reasonably assured.

(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 investment properties is recognised in equal instalments over the accounting periods covered by the lease term.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(w) 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.

5. 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 4(d), 4(i) and 4(k) to the 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY (continued)

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period, 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.

6. 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:

	2009 *RMB'000*	2008 *RMB'000*
Income from dissemination of outdoor and media advertisements:		
– Outdoor advertising displays (Note 30(b))	**200,857**	170,964
– Others	**24,988**	23,881
	225,845	194,845
Income from outdoor advertisement design and production:		
– Terminals	**94,462**	102,252
– Printed posters	**32,127**	57,875
– Signages	**2,116**	2,936
– Electronic media products	**3,186**	2,913
– Others	**19**	181
	131,910	166,157
	357,755	361,002

The Group's revenue from external customers is derived solely from its operation in the PRC in connection with the provision of outdoor advertising and related production services in the PRC. The revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue.

7. OTHER INCOME AND NET GAIN

	Note	2009 RMB'000	2008 RMB'000
Government subsidies (Note)		**3,750**	2,260
Interest income		**2,981**	1,484
Rental income	30(b)	**1,600**	1,033
Others		**783**	1,366
(Loss)/gain on disposal of property, plant and equipment		**(678)**	5
		8,436	6,148

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% (2008: 30% to 50%) of business or local tax paid.

8. FINANCE COSTS

	2009 RMB'000	2008 RMB'000
Interest expense on bank loans wholly repayable within five years	**11,635**	14,008
Bank charges	**953**	561
	12,588	14,569

9. PROFIT BEFORE TAXATION

	Notes	2009 RMB'000	2008 RMB'000
Profit before taxation is arrived after charging/(crediting) the following:			
Impairment loss on available-for-sale financial asset	28	—	19,922
Cost of inventories (Note)	20	**113,446**	125,406
Cost of services (Note)		**133,223**	119,958
Auditor's remuneration		**1,036**	1,000
Depreciation	15	**32,272**	32,551
Amortisation of land use right	16	**57**	86
Amortisation of other intangible assets	18	**228**	225
Allowance for bad and doubtful debts	21	**7,020**	4,104
Allowance for other receivables, deposits and prepayments	22	**2,640**	3,620
Impairment loss on amount due from a former subsidiary	28	—	378
Loss/(gain) on disposal of property, plant and equipment		**678**	(5)
Rental income (outgoing expenses: 2009: RMB309,399; 2008: RMB188,542)	14	**1,600**	1,033
Exchange gains, net		**(103)**	(117)
Employee benefit expenses (excluding directors' and supervisors' remuneration (Note 13(a) and (b))			
– Salaries, bonus and allowances		**34,895**	31,275
– Retirement benefit scheme contributions		**4,821**	3,581

Note: Cost of inventories and cost of services (together the cost of sales) included RMB13,617,000 (2008: RMB21,457,000) and RMB23,302,461 (2008 : RMB1,242,000) 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 RMB312,100 (2008: RMB1,416,000) (Note 20).

The consolidated profit attributable to owners of the Company includes a profit of RMB9,407,000 (2008: RMB3,798,000) (Note 27) which has been dealt with in the financial statements of the Company.

10. 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, an unified enterprise income tax rate of 25% will be applied to both domestic-invested enterprises and foreign-invested enterprises. Enterprises being qualified as a high and new technology enterprise in the PRC is subject to an applicable national EIT rate of 15%. Accordingly, the Company is eligible for a preferential EIT rate of 15% for the year ended 31 December 2009 (2008: 18%). The subsidiaries of the Company are subject to standard EIT rate of 25% for the year ended 31 December 2009 (2008: 25%).

(a) Taxation in the consolidated statement of comprehensive income represents:

	2009	2008
	RMB'000	*RMB'000*
Provision of PRC income tax for the year	**6,368**	7,577
Underprovision in respect of prior years	**542**	14
Deferred tax attributable to the origination and reversal of temporary differences (note)	**—**	(4,980)
	6,910	2,611

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

10. INCOME TAX (continued)

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

	2009 *RMB'000*	2008 *RMB'000*
Profit before taxation	**18,945**	6,914
Tax calculated at the statutory EIT rate of 25% (2008: 25%)	**4,737**	1,728
Tax effect of expenses not deductible for taxation purposes	**889**	2,466
Tax effect of non-taxable items	**(1,363)**	(777)
Utilisation of previously unrecognised tax losses	**(2,018)**	(342)
Tax effect of unused tax losses of subsidiaries not recognised	**6,113**	890
Reduction of income tax under preferential tax treatment	**(1,990)**	(1,368)
Under provision in respect of prior years	**542**	14
Taxation charge	**6,910**	2,611

At 31 December 2009, the Company's subsidiaries have unused tax losses of RMB1,147,000 (2008: RMB9,154,000) and deductible temporary differences of RMB287,000 (2008: RMB2,289,000) available for offset against future profits which would expire within five years since the respective years in which the tax losses were incurred. 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.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to ordinary equity owners of the Company of RMB7,947,000 (2008: RMB1,745,000) and the weighted average number of shares in issue of 830,000,000 (2008: 830,000,000).

No diluted earnings per share is presented for the years ended 31 December 2009 and 2008 as the Company had no potential dilutive ordinary shares outstanding during those years. Therefore the basic and diluted earnings per share for the respective years are the same.

12. DIVIDENDS

	2009 *RMB'000*	2008 *RMB'000*
2007 final dividend of RMB0.0067 per ordinary share, paid in 2008	**—**	5,561

No dividend has been declared or paid by the Company in respect of the year ended 31 December 2009 and 2008.

13. REMUNERATION OF DIRECTORS, SUPERVISORS AND EMPLOYEES

(a) Directors

Details of remuneration paid to the directors of the Company were all below HK$1,000,000 (equivalent to RMB878,734) and as follows:

	2009			
	Fees *RMB'000*	Salaries and allowances *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*
Executive directors:				
He Chaobing	—	270	31	301
Yang Jianliang	—	175	—	175
Non-executive directors:				
He Lianyi	31	—	—	31
He Pengjun (Appointed on 20 May 2009)	18	—	—	18
Li Huafei	31	—	—	31
Chan E Nam, Viceca (Resigned on 20 May 2009)	13	—	—	13
Independent non-executive directors:				
Ge Jianya (Appointed on 1 January 2009)	37	—	—	37
Sun Yingcai (Appointed on 1 January 2009)	37	—	—	37
Ye Jianmei (Appointed on 1 January 2009)	37	—	—	37
Li Yijing (Resigned on 31 December 2008)	—	—	—	—
Qiao Jun (Resigned on 31 December 2008)	—	—	—	—
Shen Jin (Resigned on 31 December 2008)	—	—	—	—
	204	445	31	680

13. REMUNERATION OF DIRECTORS, SUPERVISORS AND EMPLOYEES (continued)

(a) Directors (continued)

Details of remuneration paid to the directors of the company were all below HK$1,000,000 (equivalent to RMB 878,734) and as follows: - continued

	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	—	176	—	176
Wang Weijie	—	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

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.

13. REMUNERATION OF DIRECTORS, SUPERVISORS AND EMPLOYEES (continued)

(b) Supervisors

Details of the remuneration paid to the supervisors of the Company were all below HK$1,000,000 (equivalent to RMB878,734) and as follows:

	2009			
	Salaries and allowances *RMB'000*	**Bonus** *RMB'000*	**Retirement benefit scheme contributions** *RMB'000*	**Total** *RMB'000*
Supervisors:				
Xue Guiyu	**14**	**15**	**3**	**32**
Liu Jianbo	**6**	**—**	**—**	**6**
	20	**15**	**3**	**38**

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

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.

13. REMUNERATION OF DIRECTORS, SUPERVISORS AND EMPLOYEES (continued)

(c) Five highest paid individuals

Details of the remuneration paid to the five highest paid individuals for the year ended 31 December 2009 included two directors (2008: two directors) whose remuneration is set out in note (a) above. Details of remuneration of the remaining three (2008: three) highest paid non-director employees whose remuneration were all below HK$1,000,000 equivalent to (RMB878,734) during the years ended 31 December 2009 and 2008 are as follows:

	2009	2008
	RMB'000	*RMB'000*
Salaries and allowances	**513**	345
Bonus	**60**	60
Retirement benefit scheme contributions	**12**	44
	585	449

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.

14. INVESTMENT PROPERTIES

The Group and the Company

	2009	2008
	RMB'000	*RMB'000*
At 1 January	**30,856**	2,380
Addition (Note 16)	**—**	2,625
Reclassified from land use right (Note 15a)	**—**	25,851
Fair value gain	**1,852**	—
At 31 December	**32,708**	30,856

The investment properties were revalued for the year ended 31 December 2009 with reference to professional valuations performed by (江蘇天仁資產評估事務所有限公司), an independent firm of professionally qualified valuers.

During the year, the Group has earned RMB1,600,000 (Note 30) (2008: RMB1,033,000) as rental income with outgoings of RMB309,399 (2008: RMB188,542) from its investment properties. The investment properties are held in the PRC under medium term leases.

15. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

(a) Property, plant and equipment

	Outdoor advertising displays *RMB'000*	Buildings *RMB'000*	Leasehold improvements *RMB'000*	Production equipment *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
The Group							
Cost:							
As at1 January 2008	121,158	42,225	3,700	136,227	23,760	8,121	335,191
Additions	25,829	—	1,466	2,759	2,738	2,478	35,270
Transfer from construction in progress (Note 15(b))	25,036	—	—	—	—	—	25,036
Valuation gain upon reclassification as investment properties	—	1,507	—	—	—	—	1,507
Reclassified as investment properties (Note 14)	—	(26,469)	—	—	(6,251)	—	(32,720)
Disposals	(169)	—	(177)	(135)	(283)	(586)	(1,350)
As at 31 December 2008	171,854	17,263	4,989	138,851	19,964	10,013	362,934
Additions	13,363	—	108	1,118	1,206	1,223	17,018
Transfer from construction in progress (Note 15(b))	24,235	—	—	—	—	—	24,235
Reclassification	—	—	—	492	(492)	—	—
Disposals	(5,077)	—	(1,504)	—	(243)	(1,231)	(8,055)
As at 31 December 2009	**204,375**	**17,263**	**3,593**	**140,461**	**20,435**	**10,005**	**396,132**

15. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS (continued)

(a) Property, plant and equipment (continued)

	Outdoor advertising displays *RMB'000*	Buildings *RMB'000*	Leasehold improvements *RMB'000*	Production equipment *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
The Group							
Accumulated depreciation:							
As at 1 January 2008	38,551	6,183	1,904	101,742	15,112	4,921	168,413
Charge for the year (Note 9)	16,076	682	1,125	11,335	2,232	1,101	32,551
Reclassified as investment properties (Note 14)	—	(3,413)	—	—	(3,456)	—	(6,869)
Written back on disposal	(169)	—	(177)	(83)	(99)	(497)	(1,025)
As at 31 December 2008	54,458	3,452	2,852	112,994	13,789	5,525	193,070
Charge for the year (Note 9)	20,916	383	801	7,073	1,909	1,190	32,272
Reclassification	—	—	—	71	(71)	—	—
Written back on disposal	(3,569)	—	(1,488)	—	(243)	(1,097)	(6,397)
As at 31 December 2009	**71,805**	**3,835**	**2,165**	**120,138**	**15,384**	**5,618**	**218,945**
Carrying amount:							
As at 31 December 2009	**132,570**	**13,428**	**1,428**	**20,323**	**5,051**	**4,387**	**177,187**
As at 31 December 2008	117,396	13,811	2,137	25,857	6,175	4,488	169,864

15. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS (continued)

(a) Property, plant and equipment (continued)

	Outdoor advertising displays	Buildings	Leasehold improvements	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:							
As at 1 January 2008	57,881	42,225	3,604	112,327	20,496	6,066	242,599
Additions	4,888	—	1,467	2,247	2,228	2,067	12,897
Valuation gain upon reclassification as investment properties	—	1,507	—	—	—	—	1,507
Reclassified as investment properties (Note 14)	—	(26,469)	—	—	(6,251)	—	(32,720)
Disposals	—	—	(177)	(135)	(270)	(386)	(968)
As at 31 December 2008	62,769	17,263	4,894	114,439	16,203	7,747	223,315
Additions	1,555	—	108	808	719	854	4,044
Reclassification	—	—	—	492	(492)	—	—
Disposals	(4,152)	—	(1,504)	—	(189)	(1,150)	(6,995)
As at 31 December 2009	**60,172**	**17,263**	**3,498**	**115,739**	**16,241**	**7,451**	**220,364**

15. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS (continued)

(a) Property, plant and equipment (continued)

	Outdoor advertising displays *RMB'000*	Buildings *RMB'000*	Leasehold improvements *RMB'000*	Production equipment *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
The Company							
Accumulated depreciation:							
As at 1 January 2008	20,748	6,183	1,827	90,293	13,236	3,856	136,143
Charge for the year	6,457	682	1,112	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)
As at 31 December 2008	27,205	3,452	2,762	99,758	11,486	4,317	148,980
Charge for the year	6,706	383	790	5,218	1,502	902	15,501
Reclassification	—	—	—	71	(71)	—	—
Written back on disposal	(2,972)	—	(1,488)	—	(146)	(1,070)	(5,676)
As at 31 December 2009	**30,939**	**3,835**	**2,064**	**105,047**	**12,771**	**4,149**	**158,805**
Carrying amount:							
As at 31 December 2009	**29,233**	**13,428**	**1,434**	**10,692**	**3,470**	**3,302**	**61,559**
As at 31 December 2008	35,564	13,811	2,132	14,681	4,717	3,430	74,335

(i) Outdoor advertising displays are leased to earn revenue (Note 6 and 30(b)).

(ii) The Group's and the Company's buildings are located in the PRC.

15. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS (continued)

(b) Construction in progress – outdoor advertising displays

	The Group	The Company
	RMB'000	*RMB'000*
Cost:		
As at 1 January 2008	23,579	—
Additions	25,952	—
Transfer to property, plant and equipment (Note 15(a))	(25,036)	—
As at 31 December 2008	24,495	—
Additions	2,974	2,796
Transfer to property, plant and equipment (Note 15(a))	(24,235)	—
As at 31 December 2009	**3,234**	**2,796**

No capitalised interest is included in construction in progress for the years ended 31 December 2008 and 2009.

16. LAND USE RIGHT

	The Group and the Company	
	2009	2008
	RMB'000	*RMB'000*
Cost:		
As at 1 January	**2,836**	5,764
Reclassified as investment properties (Note 14)	**—**	(2,928)
As at 31 December	**2,836**	2,836
Accumulated amortisation:		
As at 1 January	**379**	596
Charge for the year (Note 9)	**57**	86
Reclassified as investment properties (Note 14)	**—**	(303)
As at 31 December	**436**	379
Carrying amount		
As at 31 December	**2,400**	2,457

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

17. GOODWILL

	2009 RMB'000	2008 RMB'000
The Group		
Cost and carrying amount:		
As at 1 January	**15,679**	15,519
Addition (Note)	**—**	160
As at 31 December	**15,679**	15,679

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 ended 31 December 2008.

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 2008 and 2009 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:

	2009 RMB'000	2008 RMB'000
Name of attributable subsidiaries		
Beijing Millennium Ankang International Media Co., Ltd. ("Beijing Ankang")	**12,871**	12,871
Beijing Dahe Shuanglong Advertising Co., Ltd.	**1,574**	1,574
Shanghai Dahe Yasi Advertising Co., Ltd.	**1,234**	1,234
	15,679	15,679

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 of Beijing Ankang are:

	2009	2008
	%	%
Gross margin	**50 to 51**	56 to 57
Growth rate	**5 to 6**	7 to 8
Discount rate	**7**	8

The gross margin is estimated by the directors based on the economic environment of the PRC advertising market over the main provinces of PRC such as Beijing, Nanjing and Shanghai. The decrease in the gross margin and growth rate is driven by the slow down of PRC economic growth from 2009 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 2009 and 2008.

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

18. OTHER INTANGIBLE ASSETS

	The Group	The Company
	RMB'000	*RMB'000*
Advertising rights		
Cost:		
At 31 December 2008	4,500	2,000
Additions	40	40
At 31 December 2009	**4,540**	**2,040**
Accumulated amortisation:		
At 1 January 2008	1,279	500
Charge for the year (Note 9)	225	100
At 31 December 2008	1,504	600
Charge for the year (Note 9)	228	103
At 31 December 2009	**1,732**	**703**
Carrying amount:		
At 31 December 2009	**2,808**	**1,337**
At 31 December 2008	2,996	1,400

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 statement of comprehensive income.

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

	The Company	
	2009	2008
	RMB'000	*RMB'000*
Unlisted investments, at cost	**64,410**	63,885
Amounts due from subsidiaries	**75,457**	54,933
Amounts due to subsidiaries	**(631)**	(3,374)

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 2009 are as follows:

Name of subsidiary	Country of incorporation and operation	Registered capital (RMB'000)	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by the Subsidiaries	Principal activities
Beijing Dahe Shuanglong Advertising Co., Ltd. (北京大賀雙龍廣告有限公司)	PRC	2,500	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	1,000	51%	51%	—	Design, production, dissemination of advertisement 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	1,000	99%	90%	9%	Inactive
Chongqing Dahe Digital Printing Co., Ltd. (重慶大賀數碼噴繪有限公司)	PRC	5,000	100%	100%	—	Design, printing and production of outdoor advertising products
Hangzhou Ultralon Advertising Co., Ltd. (杭州特龍廣告有限公司)	PRC	1,500	99%	90%	9%	Dissemination of outdoor advertisement
Hebei Dahe Media Co., Ltd. (河北大賀傳媒有限公司)	PRC	9,200	67%	67%	—	Dissemination of outdoor advertisement

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

Name of subsidiary	Country of incorporation and operation	Registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by the Subsidiaries	Principal activities
		(RMB'000)				
Nanjing Dahe Colour Printing Co., Ltd. (南京大賀彩色印刷有限公司)	PRC	20,000	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%	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	5,000	90%	90%	—	Investment holding
Shanghai Dahe Yasi Advertising Co., Ltd. (上海大賀雅思廣告有限公司)	PRC	500	100%	100%	—	Dissemination of outdoor advertisement
Sichuan Xintianjie Media Technology Development Co., Ltd. ("Xintianjie") (四川新天傑傳媒科技發展有限責任公司) (note)	PRC	20,000	60%	60%	—	Dissemination of outdoor and media advertisement

Note: During the year, the Group acquired additional 10% equity interest in Xintianjie which the Group effectively increased its equity interest of Xintianjie from 56% to 60% at a cash consideration of RMB524,000 resulting in a discount on acquisition.

20. INVENTORIES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Raw materials	**5,551**	5,985	**3,903**	3,066
Work in progress	**23**	151	**—**	151
Finished goods	**1,009**	1,802	**1,009**	1,802
	6,583	7,938	**4,912**	5,019

(i) The cost of inventories recognised as an expense during the year was RMB113,446,000 (2008: RMB125,406,000) (Note 9).

(ii) The cost of inventories recognised as an expenses includes RMB312,000 (2008:RMB1,416,000) in respect of allowance for obsolete inventories.

21. TRADE AND NOTE RECEIVABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**132,521**	103,186	**88,322**	73,517
Allowance for bad and doubtful debts	**(22,508)**	(18,507)	**(14,910)**	(11,885)
	110,013	84,679	**73,412**	61,632
Note receivables	**220**	342	**—**	320
	110,233	85,021	**73,412**	61,952

The ageing analysis of trade and note receivables net of allowance, at the end of reporting period, is as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**32,555**	23,253	**24,149**	18,079
Between 2 to 3 months	**17,105**	16,208	**9,874**	11,869
Between 4 to 6 months	**22,680**	12,974	**15,690**	10,963
Between 7 to 12 months	**21,130**	15,008	**14,655**	11,910
Between 1 to 2 years	**9,993**	15,765	**4,783**	6,908
Between 2 to 3 years	**6,770**	1,813	**4,261**	2,223
	110,233	85,021	**73,412**	61,952

21. TRADE AND NOTE RECEIVABLES (continued)

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 two to three years and one 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.

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**	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**18,507**	14,403	**11,885**	10,419
Written off	**(3,019)**	—	**(2,079)**	—
Impairment loss recognised (Note 9)	**7,020**	4,104	**5,104**	1,466
At 31 December	**22,508**	18,507	**14,910**	11,885

At 31 December 2009, the Group's and the Company's trade receivables of RMB37,056,000 (2008: RMB33,809,000) and RMB22,609,000 (2008:RMB20,144,000) 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 RMB20,512,000 (2008: RMB16,232,000) and RMB13,564,000 (2008: RMB11,013,000) respectively were recognised as at 31 December 2009. The Group does not held any collateral over these balances.

In additions, an allowance of RMB1,996,000 (2008: RMB1,166,000) and RMB1,346,000 (2008: RMB872,000) have been made by the Group and the Company respectively as at 31 December 2009 for estimated irrecoverable amounts. 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	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other receivables	**6,276**	8,469	**1,796**	2,149
Allowance for bad and doubtful debts	**(1,999)**	(1,120)	**(680)**	(892)
	4,277	7,349	**1,116**	1,257
Deposits	**3,297**	721	**897**	589
Prepayments	**44,514**	45,620	**21,921**	22,203
	52,088	53,690	**23,934**	24,049

The Group has made full allowance for doubtful debts for other receivables that are past due beyond 3 years because historical experience is such that these receivables are generally not recoverable. Allowance on other receivables between two to three years and 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 other receivables, the Group monitors any change in the credit quality of the other 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.

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	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**1,120**	641	**892**	435
Written off	**(1,761)**	(3,141)	**(479)**	(61)
Impairment loss recognised (Note 9)	**2,640**	3,620	**267**	518
At 31 December	**1,999**	1,120	**680**	892

As at 31 December 2008 and 2009, the Group and the Company did not have prepayments expected to be utilised after 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 2009, no bank deposit included in bank balances and cash of the Group and the Company was used to pledge to a bank to secure the note payables (2008: RMB50,000,000) (Note 25).

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**27,822**	21,518	**22,390**	14,606
Other payables and accruals	**2,488**	2,938	**1,217**	1,234
Deposits received	**2,508**	5,162	**2,068**	2,614
	4,996	8,100	**3,285**	3,848
	32,818	29,618	**25,675**	18,454

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**13,651**	12,300	**11,157**	7,835
Between 2 to 3 months	**4,680**	2,220	**3,950**	1,763
Between 4 to 6 months	**1,537**	2,290	**1,194**	1,790
Between 7 to 12 months	**2,519**	2,492	**1,573**	1,038
Between 1 to 2 years	**3,219**	215	**2,336**	240
Over 2 years	**2,216**	2,001	**2,180**	1,940
	27,822	21,518	**22,390**	14,606

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans	**201,000**	150,000	**185,000**	146,000
Note payables	**—**	100,000	**—**	100,000
	201,000	250,000	**185,000**	246,000

At 31 December 2009, total current and non-current bank borrowings and note payables were repayable as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
On demand or within one year	**197,000**	250,000	185,000	246,000
More than one year but not exceeding two years	**4,000**	—	**—**	—
	201,000	250,000	**185,000**	246,000
Amount due within one year included in current liabilities	**197,000**	250,000	**185,000**	246,000
Amount due after one year included in non-current liability	**4,000**	—	**—**	—
	201,000	250,000	**185,000**	246,000

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 29(g)).

Note payables were issued with terms of 6 months and are secured by charges over the Group's bank deposits of outstanding as at 31 December 2008 RMB50,000,000.

The average interest rate in respect of bank loans was 5.63% (2008: 7.37%) 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 2008 and 2009.

26. SHARE CAPITAL

	Number of shares	Amount
	'000	*RMB'000*
Registered, issued and fully paid:		
Total domestic shares and H shares of RMB0.1 each at 31 December 2008 and 2009	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 ended 31 December 2008, 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. 20 May 2009); 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	Statutory surplus reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note (i))	*(Note (ii))*		
The Company				
Balance at 1 January 2008	95,745	18,687	93,930	208,362
Profit and total comprehensive income for the year (Note 9)	1,507	—	2,291	3,798
Dividend declared and paid (Note 11)	—	—	(5,561)	(5,561)
Appropriations from retained profits	—	1,794	(1,794)	—
Balance at 31 December 2008	97,252	20,481	88,866	206,599
Profit and total comprehensive income for the year (Note 9)	—	—	9,407	9,407
Appropriations from retained profits	—	606	(606)	—
Balance at 31 December 2009	**97,252**	**21,087**	**97,667**	**216,006**

Notes:

(i) Share Premium and capital reserve

The balance included (1) share premium of RMB95,745,000 that represents the premium arising from the issue of shares issued at a price in excess of their par value per share; and (2) the revaluation gain of RMB1,507,000 arose upon transfer of owner-occupied properties to investment properties.

(ii) 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.

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

Available-for-sale financial asset

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted shares, at cost	19,922	19,922	20,394	20,394
Less: impairment loss (Note 9)	(19,922)	(19,922)	(20,394)	(20,394)
	—	—	—	—

Amount due from a former subsidiary

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amount due from a former subsidiary	**937**	1,506	**177**	177
Less: impairment loss (Note 9)	**—**	(378)	**—**	—
	937	1,128	**177**	177

Chongqing Dahe Basu Media Co., Ltd. ("Dahe Basu"), a former 60%-owned subsidiary of the Company up to 14 May 2007, had applied liquidation to a PRC court 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, the Minority Owner and a PRC liquidator) was appointed and 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. Accordingly, the Group de-consolidated Dahe Basu from the Group's consolidated financial statements since 1 January 2007, and accounted for the Group's and the Company's equity interest in Dahe Basu as available-for-sale financial asset and had recorded the amount due from Dahe Basu as amount due from Dahe Basu as amount due from a former subsidiary pursuant to the above non-consolidation of Dahe Basu.

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

For the year ended 31 December 2008

On 10 March 2009, the directors received a report from the liquidation team regarding the progress of the liquidation of Dahe Basu and the latest financial information of Dahe Basu. With reference to the financial information released by the liquidation team in the above report and after careful consideration of all the information available including the latest financial information on Dahe Basu obtained from the liquidation team, the directors had made full impairment loss against the carrying amount of the Group's and the Company's available-for-sale financial asset and an impairment loss of RMB378,000 against the carrying amount of the Group's amount due from Dahe Basu as at 31 December 2008.

For the year ended 31 December 2009

On 10 September 2009, amounted to RMB191,000 was received from the liquidaton team from the disposal of assets in Dahe Basu which was used to reduce the amount due from a former subsidiary.

On 15 January 2010, the directors received a report from the liquidation team regarding the progress of the liquidation of Dahe Basu and the latest financial information of Dahe Basu. With reference to the financial information released by the liquidation team in the above report and consideration of all the information available including the latest financial information on Dahe Basu obtained from the liquidation team, the directors considered that the amount due from a former subsidiary as at 31 December 2009 approximates its fair value and no impairment is made, and that full impairment loss against the available-for-sale financial asset should be maintained as at 31 December 2009.

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 is unsecured, interest free and has no fixed terms of repayment.

29. RELATED PARTIES TRANSACTIONS

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

	Note	2009 *RMB'000*	2008 *RMB'000*
Holding company			
Sales	(i)	**—**	159
Fellow subsidiaries			
Sales	(i)	**2,274**	8,549
Rental income received	(ii)	**240**	240
Construction of advertising displays paid	(iii)	**11,261**	16,917
Related companies			
Sales	(i)	**—**	221

The above transactions are continuing connected transactions, in respect of which the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

Notes:

(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 (2008: RMB240,000).

(iii) 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 2009 to 31 December 2011. The service fees payable by the Group are 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.

29. RELATED PARTIES TRANSACTIONS (continued)

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

	2009	2008
	RMB'000	*RMB'000*
Short term benefits	**1,265**	1,103

(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) Deposit paid to a fellow subsidiary at 31 December 2009 represents deposits paid to Nanjing Dahe Decoration Co., Ltd. for the construction of outdoor advertising displays.

(e) Amounts due from a fellow subsidiary and related companies are unsecured, interest free and have no fixed repayment terms. The carrying amounts of the amounts due from a fellow subsidiary and the related companies represents the respective maximum amounts outstanding during 2009 and 2008.

(f) The balances mainly represent the Group's and the Company's amount due to Nanjing Dahe Decoration Co., Ltd. arising from purchases of outdoor advertising boards. Amounts due to related companies are interest free, unsecured and repayable on demand.

(g) As at 31 December 2009, the Company's and the Group's bank loans of RMB124,000,000 (2008: RMB150,000,000) were secured by personal guarantees from Mr. He Chaobing, one of the shareholders and directors of the Company, and corporate guarantees from the holding company (Note 25).

(h) As at 31 December 2009, a bank loan of RMB30,000,000 of holding company was secured by the Company's and the Group's guarantee (2008: RMB10,000,000).

30. OPERATING LEASE ARRANGEMENTS

(a) The Group as a lessee

	2009		2008	
	Land and buildings	**Outdoor advertising displays**	Land and buildings	Outdoor advertising displays
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Minimum lease payment under operating leases recognised as an expense in the year (included in cost of services – Note 9)	**13,790**	**82,878**	4,695	88,432

At the end of reporting period, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	2009		2008	
	Land and buildings	**Outdoor advertising displays**	Land and buildings	Outdoor advertising displays
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within one year	**3,551**	**43,002**	3,971	34,866
In the second to fifth years inclusive	**10,347**	**26,641**	10,793	36,294
After five years	**4,966**	**14,424**	6,061	2,613
	18,864	**84,067**	20,825	73,773

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

30. OPERATING LEASE ARRANGEMENTS (continued)

(b) The Group as a lessor

	2009		2008	
	Investment properties **RMB'000**	**Outdoor advertising displays** **RMB'000**	Investment properties RMB'000	Outdoor advertising displays RMB'000
Minimum lease income under operating leases (Notes 6 & 7)	**1,600**	**200,857**	1,033	170,964

At the end of reporting period, the Group had outstanding minimum lease receivables under non-cancellable operating lease receivables as follows:

	2009		2008	
	Investment properties **RMB'000**	**Outdoor advertising displays** **RMB'000**	Investment properties RMB'000	Outdoor advertising displays RMB'000
Within one year	**807**	**72,301**	1,600	32,877
In the second to fifth years inclusive	**—**	**11,072**	807	7,928
After five years	**—**	**161**	—	1,285
	807	**83,534**	2,407	42,090

The minimum lease receivables on investment properties represented rentals receivable by the Group on leasing of part of its investment properties to a fellow subsidiary as disclosed in Note 29(a)(ii) to the financial statements and annual fees receivable on contracts to lease outdoor advertising displays for dissemination of outdoor and media advertisement. The lease for the investment properties 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. None of these contacts include contingent rentals.

31. CAPITAL COMMITMENTS

As at 31 December 2009, the Group and the Company had capital commitment of RMB33,947,000 (2008: RMB35,670,000) contracted but not provided for in respect of construction of outdoor advertising displays.

32. 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.

33. 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 deposits in Note 23 and equity attributable to owners of the Company, comprising share capital, reserves and retained profits as disclosed in Notes 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 8% to 20% determined as the proportion of net debt to equity.

The gearing ratio at the end of reporting period was as follows:

	2009	2008
	RMB'000	*RMB'000*
Bank borrowings	**201,000**	250,000
Bank balances and cash and pledged bank deposits	**(140,089)**	(206,174)
Net debt	**60,911**	43,826
Equity	**321,844**	310,333
Net debt to equity ratio	**19%**	14%

34. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate 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 end of reporting period, the Group has a certain concentration of credit risk as 11% (2008: 2%) and 15% (2008: 16%) 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 statement of financial position 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. The Group maintains a reasonable level of cash and cash equivalents. The Group's primary cash requirements have been for payment to suppliers on the rental of outdoor advertising displays and payment of debts. The Group finances its working capital requirements through funds generated from operations and bank borrowings. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected future cash flows.

34. FINANCIAL RISK MANAGEMENT (continued)

(c) Interest rate risk

The Group has no significant interest rate risks as the Group's borrowings are arranged at fixed interest rates and its income and operating cash flows are substantially independent of changes in market interest rate.

(d) Currency risk

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

(e) Price risk

The Group is not exposed to any equity 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 2008 and 2009.

35. 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 2009 and 2008 may be categorised as follows:

	2009	2008
	RMB'000	*RMB'000*
Financial assets:		
Loans and receivables (including cash and bank balances and pledged bank deposits)	**269,083**	301,861
Financial liabilities measured at amortised cost	**277,611**	319,363

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2010.

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,				
	2009	2008	2007	2006	2005
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
	(000)	*(000)*	*(000)*	*(000)*	*(000)*
TURNOVER	**357,225**	361,002	324,294	388,526	310,834
Cost of sales	**246,669**	(245,364)	(219,082)	(290,623)	(219,471)
Gross profit	**111,086**	115,638	105,212	97,903	91,363
Fair value gain on investment properties	**1,852**	—	—	—	—
Impairment loss on available-for-sale financial asset and amont due from a former subsidiary	**—**	(20,300)	—	—	—
Other revenue and gains	**8,436**	6,148	3,690	5,720	2,945
Distribution costs	**42,446**	(37,266)	(30,450)	(30,716)	(25,541)
Administrative expenses	**47,395**	(42,737)	(40,057)	(37,544)	(32,626)
Finance costs	**12,588**	(14,569)	(10,958)	(11,560)	(8,860)
PROFIT BEFORE INCOME TAX	**18,945**	6,914	27,437	23,803	27,281
Income tax	**(6,910)**	(2,611)	(6,634)	(6,620)	(5,153)
PROFIT FOR THE YEAR	**12,035**	4,303	20,803	17,183	22,128
ATTRIBUTABLE TO:					
Equity holders of the Company	**7,947**	1,745	20,608	19,001	19,873
Minority interests	**4,088**	2,558	195	(1,818)	2,255
	12,035	4,303	20,803	17,183	22,128

ASSETS AND LIABILITIES

	31st December,				
	2009	2008	2007	2006	2005
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
	(000)	*(000)*	*(000)*	*(000)*	*(000)*
Non-current assets	**268,732**	307,348	290,892	217,147	234,689
Current assets	**346,582**	355,902	300,073	323,335	286,806
Current liabilities	**289,470**	(352,917)	(280,881)	(233,884)	(204,828)
Net current assets	**57,112**	2,985	19,192	89,451	81,978
Non-current liabilities	**4,000**	—	—	—	(25,400)
Net assets	**321,844**	310,333	310,084	306,598	291,267

Note:

1. The consolidated financial information as at 31st December, 2007, 2006 and 2005 are extracted from the Company's published annual reports. The consolidated financial information of the Group as at 31st December, 2009 and 2008 are as set out on pages 37 to 39 of the annual report.