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)

2010
Annual Report

*For identification Purposes only

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This annual report, for which the directors of Dahe Media Co., Ltd. collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM 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 the information contained in this annual report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this annual report misleading.

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
5th Floor
Jardine House
1 Connaught Place
Hong Kong

AUDITOR
BDO Limited

HONG KONG LEGAL ADVISER
Gallant Y. T. Ho & Co.

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

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 2010.

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 continued to maintain its leading position of the innovative outdoor media industry in the People's Republic of China (the "PRC") by expanding its "Enkon Express Media" business, carrying out researches on the application of "internet of things" in media business and establishing unique brand image. By combining marketing and sales, the Group's upgraded version of "Enkon Express Media 3.0" targeted at the medium and high end market in the PRC. Through enhancing the market share of the media market which is closely related to the consumers and encouraging the organic interaction between the consumers and the media, the Group has provided an one-stop integrated advertising and dissemination service for the community.

For the year ended 31 December 2010, the Group's turnover was approximately RMB413.23 million (2009: RMB357.76 million). Due to the increased advertising expenditures of our customers, the Group's turnover increased by approximately 15.5% from that of last year as a result of the significant increase of consumption and confidence towards the growth of the industry triggered by the global economic recovery, the improving business environment of the PRC and the supporting of relevant government policies. The Group's profits attributable to owners of the Company amounted to RMB15.83 million (2009: approximately RMB7.95 million), representing an increase of 99% over the same period last year. The earnings per share increased to RMB1.9 cents (2009: RMB1 cent).

During the year, turnover derived from outdoor media dissemination, terminal dissemination and media production amounted to RMB210.90 million (2009: RMB225.85 million), RMB134.69 million (2009: RMB94.46 million) and RMB67.63 million (2009: RMB37.44 million), accounting for 51% , 33% and 16% of total turnover of the Group respectively.

In recent years, new media appealed more customers as the development of traditional advertising has become limited. "Enkon Express Media", a community dissemination media newly developed by the Group, has fully fit into the daily life of consumers and managed to draw the attention of the community for its unique features. Currently, the Group has approximately 8,000 "Enkon Express Media" billboards, covering 9 million households with medium and high income in approximately 5,500 communities in Beijing, Shanghai, Guangzhou, Nanjing, Shenzhen, Chengdu, Hangzhou and Shenyang, and deriving outdoor media dissemination resources of approximately 35,000 square meters. This project brought a turnover of approximately RMB77.09 million and a profit of RMB8.12 million to the Group, representing an increase of 20% and 31% over last year respectively.

During the year, the Group and Nanjing University of Posts and Telecommunication jointly established the "Nanyou-Dahe Research Centre of Internet of Things and Intelligent Business (南郵大賀物聯網智慧商務研究中心)", aiming at strengthening the cooperation in the research of digital media technology to improve the development, technological advancement and application of digital media for both parties and to further boost a broader application of the internet of things technology in media industry. The Group also cooperated with Sanjiang University and jointly established a "training base for design and marketing talents" to enhance the overall quality of university students and the cultivation of reserved talents for advertising industry by combining theories and practice as well as providing internship positions and job opportunities.

In view of the opportunities brought by international events including 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 sign boards of the Pudong Airport project and landscape layout and sign boards of 2010 Guangzhou Asian Games. Being the exclusive major advertising company cooperated with the bidding committee for hosting Olympic Games in Nanjing, the Group was responsible for the overall marketing promotion, planning and publicity for the bidding of 2014 Youth's Olympic Games in Nanjing. The Group was successful in helping the municipal government of Nanjing in winning the bid to host 2014 Youth's Olympic Games in Nanjing on 10 February 2010.

The Group has been dedicated in providing the best services and received a number of honors and awards during the year, including the "Top Ten Advertising Agency of 2009 (2009年度十強廣告公司)" and the "Best Ten Advertising Agency of 2009 (2009年度十佳廣告經營單位)" awarded by Nanjing Advertising Association (南京市廣告協會). The Group was elected as the " Famous Brand in Nanjing (南京市名牌產品)" for its "Enkon Express Media 3.0" by the People's Government of Nanjing, and our Chairman, Mr. He Chaobing, was named as an "Outstanding Contributor for Cultural Development (文化名人)" and the Fourth "New Media Personality (第四屆「光彩事業之星」)" in Nanjing.

During the year, the liquidation of Chongqing Dahe Digital Printing Co., Ltd. (重慶大賀數碼噴繪有限公司), a subsidiary of the Group, had completed. In addition, the Group disposed its 90% of the equity interests in Hangzhou Ultralon Advertising Co., Ltd. (杭州歐特龍廣告有限公司), one of its subsidiaries, at a consideration of RMB526,500 to 南京易社通科技有限公司 due to business integration.

OUTLOOK

As the global economy has gradually recovered, the PRC continued to record stable economic growth. Enterprises increased their advertising investments to boost consumptions due to the increase of domestic income and purchasing power. More efforts will be made for board building under the diversified strategy of enterprises. Being a reputable domestic outdoor advertisement supplier, the Group will grasp the business opportunities to provide an emerging media dissemination platform and to create economic benefits for our customers. The "Revitalisation Plan of Cultural Industry" approved in 2009 has provided a favourable external environment for the advertising industry by increasing governmental investments and enlarging culture consumption. As such, the importance of outdoor advertising media business in the overall economy has increased. The Group believes that there will be enormous potential for the advertising market in the PRC under the favourable policies of the government and the increasing domestic demand. The Group will accelerate the development of outdoor advertising to catch up the overall market trend.

Besides, the State has promulgated regulations regarding outdoor media and advertisements, and local governments has also regulate outdoor advertising through various measures, such as overall planning, tenders and auctions. The Group believes these measures will lead to a healthy and long-term development of the outdoor advertising market in orderly manner although short-term adverse effects on the operation of the Group may incur. The Group will consolidate its leading position by competing for more outdoor advertisement businesses opportunities with high added-value. Despite of the fierce competition of the outdoor advertising industry, the Group is confident in the medium and long term development of the outdoor advertising industry in the PRC. The Group will focus on developing second-tier and third-tier cities and exploring potential business and investment opportunities favourable to its long-term growth.

In the upcoming year, international events hosted by the PRC, such as the 2011 Shenzhen Universiade and the 2014 Nanjing Youth's Olympic Games, will bring substantial opportunities for the advertising industry in the PRC and boost continuous demands on outdoor advertisement. The Group will enhance the existing businesses and explore new opportunities by soliciting more major customers and formulating measures to minimize the effect of the regional regulation of outdoor advertisements on the turnover of the Group's businesses. In addition, the Group will also strive to increase the value of media and returns to its customers by conducting research on the integration of outdoor media services and new technologies. In order to building a solid foundation for the growth in 2011, the Group will invest more resources to enhance its marketing team to promote its "Enkon Express Media" business, explore the application of internet of things in the media dissemination businesses, and actively identify strategic partners to increase its market share.

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, 28 March 2011

Financial Highlights and Calendar

For the year ended 31 December 2010
(Expressed in Renminbi)

	2010	2009
	RMB'000	*RMB'000*
Revenue		
Turnover	**413,255**	357,755
Profitability		
Profit from operations	**43,088**	31,533
Profit attributable to shareholders	**15,828**	7,947
Net Worth		
Equity attributable to shareholders	**314,111**	298,283
Per share		
Basic earnings per share (RMB)	**1.9 cents**	1 cent
Net assets attributable to owners of the Company per share (RMB)	**37.84 cents**	35.94 cents

FINANCIAL CALENDAR

Results for the year	Announcement on 28 March 2011
Annual report	Dispatched to shareholders in late March 2011
Annual general meeting	19 May 2011

BUSINESS REVIEW

For the year ended 31 December 2010, the Group's turnover amounted to approximately RMB413.23 million, representing an increase of approximately 15.5% over last year. The increase in Group's turnover was mainly due to the increase in advertising expenditures from our customers, which were brought by the remarkable enhancement of consumers' willingness to buy and their confidence in industry growth under the recovery of global economy, booming business environment in China and the support of the government policies. The Group's profits attributable to owners of the Company was amounted to approximately RMB15.83 million, representing an increase of 99% when compared to last year. The basic earnings per share increased by 90% to RMB1.9 cents.

Media Dissemination Business

For the year ended 31 December 2010, the Group's turnover from media dissemination business was approximately RMB210.90 million, accounting for 51% of the Group's total turnover. Currently, the Group has outdoor media resources of approximately 200,000 square metres, mainly billboards in expressways, social media, billboards on building roofs in urban areas and landscape boards along roads, with business covering 64 major 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, finance and tourism.

During the year, "Enkon Express Media" focused on expansion into sectors including finance, travel, communication and fast moving consumer goods. It has entered into cooperation agreements with ICBC, Everbright Bank, Suning Electric, the Tourism Board of the Thousand Island Lake (千島湖旅遊局), Shenzhen Skyworth, China Sciences Group and Longfeng Food (龍鳳食品). It has also entered into partnership with various famous domestic and international brands such as China Mobile, Mazda, NVC Lighting, Carrefour, Wal-Mart, China Telecom, New City Real Estate (新城市置業) and Shenyin & Wanguo, which further consolidated its leading position in the market. "Enkon Express Media" attracted even more attention from television media and successfully entered into contracts with Anhui Satellite TV and Jiangsu Satellite TV. "Enkon Express Media" is expected to become a new carrier for television media publicity. The Group believes these projects will bring considerable returns to the Group.

During the year, "Enkon Express Media" recorded rapid growth. The innovative upgraded version of "Enkon Express Media 3.0" versatile community project has various functions, including high-definition lamphouse, e-magazines, one-stop community payment service, video-ads, dynamic outdoor and community activities. It built an innovative dissemination platform catering to diversified customer business and provided comprehensive "advertising + marketing" services to incorporate functions such as media dissemination, commonweal community information dissemination and self-service payment in daily life. "Enkon Express Media" was named as the "Famous Brand in Nanjing (南京市名牌產品)" for its information technology.

During the year, "Outdoor Media" has commenced cooperation in respect of media dissemination with well-known enterprise such as Amway, Xintai Property Development (鑫泰房地產), Sinfonia Technology (神鋼), Zhongce Rubber (中策橡膠) and Sunlot (申鷺達), with an aggregate contract value of over RMB47 million.

Terminal dissemination service

During the year, the Group continued to further its terminal dissemination service business and recorded a turnover of approximately RMB134.69 million. “Terminal Dissemination” continued to serve customers such as Nike, Wang Laoji, Wal-mart, Changan Auto, Sankeshu Paint, Huatai Securities and Inner Mongolia Agricultural Bank (內蒙農行). In particular, the contract value for Nike project amounted to RMB20 million. The contract value for Wang Laoji, Wal-mart, Inner Mongolia Agricultural Bank (內蒙農行) and Huatai Securities amounted to nearly RMB30 million. In view of the huge business opportunities and economic benefits brought by 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 sign boards of the Pudong Airport project and landscape layout and sign boards of the Guangzhou Asian Games project.

The Group’s 360° Business Terminal Manager currently serves a number of domestic and international renowned brands including Nike, GPHL, Midea, Master Kong, Puma, B&Q, Wang Laoji, Wal-mart and Huatai Securities.

Media production business

During the year, the Group’s media production business recorded a turnover of approximately RMB67.63 million, accounting for approximately 16% of the Group’s total turnover.

Customer base development

During the year, the Group continued to expand its high-end and quality customer base for “Enkon Express Media” business, and successfully entered into cooperation agreements with a total contract value of over RMB32 million with Jiangsu TV, China Sciences Group, Shenzhen Skyworth, Everbright Bank, Longfeng Food, Guangdong JDB Beverage Company Limited, etc. The Group also commenced cooperation with famous domestic and foreign brands such as China Mobile, Mazda, NVC Lighting, Carrefour, Wal-mart, China Telecom, New City Real Estate (新城市置業) and Shenyin & Wanguo to further consolidating its leading market position. Our “Enkon Express Media” business drew the attention of TV media and is expected to become a new platform for TV publicity.

In September 2010, the Group successfully won the bid for the “Special Project of Sign Boards of Guangzhou Asian Games” and the “Landscape Layout Project for Guangzhou Asian Games and Asian Para Games (廣州亞運會和亞殘運會場館形象景觀實施服務項目)” with total contract value of approximately RMB20 million. The Group had been subcontracted a total of 13 landscape projects for the Asian Games, making the Group become a landscape layout supplier of national major competition once again after 2008 Beijing Olympics. This reflects the great strength of the Group and enables the Group to enhance its brandname and market coverage. In addition, as the exclusive commercial operational unit for Nanjing Youth’s Olympic Games, the Group secured sponsorship of RMB2 million from NVC Lighting for bidding the event.

During the year, Nanjing Dahe Colour Printing Co., Ltd. (南京大賀彩色印刷有限公司), a subsidiary of the Group, successfully entered into contracts of over RMB13 million with two quality customers, China Mobile and Chery Automobile (奇瑞汽車). It became the exclusive supplier of the brochure printing project of China Mobile for the term 2010 to 2011.

AWARDS AND HONORS

Dahe Group

During the year, the Group had received various honours and awards, including the "Outstanding Enterprise for the Cultural Construction of the Advertising Industry 2008-2009 (2008-2009年度全國廣告行業精神文明先進單位)", and "A Unit Contributed to Nanjing's Successful Application for Hosting the 2014 Youths Olympic Games (南京申辦2014年青奧會有功單位)". The Group was also elected as "Top Ten Advertising Agency of 2009 (2009年度十強廣告公司)" and the "Best Ten Advertising Agency of 2009 (2009年度十佳廣告經營單位)" by Nanjing Advertising Association (南京市廣告協會) as well as the "Best Employer of 2010 in Nanjing (2010年度南京最佳僱主)" by International Human Resource Management Association (國際人力資源協會) and Oriental Daily jointly. The Group was also named as the "Executive Enterprise (常務理事單位)" by the Association of Modern Tertiary Industry in Jiangsu Province (江蘇省現代服務業聯合會).

Enkon Express Media

During the year, our "Enkon Express Media" business platform was named as the "Famous Brand in Nanjing (南京市名牌產品)".

Chairman

During the year, our Chairman, Mr. He Chaobing, was named as "Outstanding Contributors for Cultural Development (文化名人)" together with Mr. Chen Weiya, Mr. Yu Guangzhong, Mr. Wu Rujun and Mr. Su Tong. Mr. He was also elected as the Fourth "New Media Personality (第四屆「光彩事業之星」)".

MAJOR EVENTS

For the year ended 31 December 2010, the total area of advertisement display boards of the Group allocated by the liquidation committee of Chongqing Dahe Bashu Media Co., Ltd. (重慶大賀巴蜀傳媒有限公司)decreased by 1,856.5 square metres due to the regulation of outdoor advertisement market by the People's Government of Chongqing.

During the year, the liquidation of Chongqing Dahe Digital Printing Co., Ltd. (重慶大賀數碼噴繪有限公司), a subsidiary of the Group, had completed. In addition, the Group disposed its 90% of the equity interests in Hangzhou Ultralon Advertising Co., Ltd. (杭州歐特龍廣告有限公司), one of its subsidiaries, at a consideration of RMB526,500 to 南京易社通科技有限公司 due to business integration.

DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31 December 2010.

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, 2010, the Group did not consider or formulate any new significant investment plans.

TAXATION

Pursuant to the Enterprise 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 high new technology enterprise, the Company enjoyed the preferential enterprise income tax rate of 15% for the year ended 31 December 2010 while subsidiaries of the Company enjoyed the enterprise income tax rate of 25%. Income tax expense for 2010 was approximately RMB8.39 million, and in 2009 it was approximately RMB6.91 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, trade and other payables increased to approximately RMB 45.56 million from approximately RMB32.82 million in 2009. Trade and other receivables increased to approximately RMB131.66 million from approximately RMB110.22 million in 2009.

As at 31 December 2010, bank balance and cash held by the Group amounted to RMB119.53 million; bank loans of the Group amounted to approximately RMB183.36 million. Net Debt-Equity Ratio was approximately 19%, being the percentage of bank loans less bank balance and cash over net assets of approximately RMB344.54 million.

Profits attributable to owners of the Company were approximately RMB15.83 million, an increase of 99% as compared with RMB7.95 million for the last year.

DISTRIBUTION COSTS AND GENERAL AND ADMINISTRATIVE EXPENSES

In 2010, distribution costs and general and administrative expenses were approximately RMB92.51 million, while in 2009, it was approximately RMB89.84 million.

FINANCE COSTS

In 2010, finance costs was approximately RMB12 million, while in 2009 it was approximately RMB12.59 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 loss on the investment in Dahe Basu. Save as above, the Group or any of its subsidiaries was not involved in any material litigation or arbitration.

NON-CONTROLLING INTERESTS

As at 31 December 2010, non-controlling interests amounted to approximately RMB30.43 million, while in 2009 it was approximately RMB23.56 million.

FOREIGN EXCHANGE RISKS

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

ASSETS

During the year, the net current assets of the Group were approximately RMB81.84 million, and net assets were approximately RMB344.54 million. In 2009, they were approximately RMB57.11 million and RMB321.84 million respectively.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed 90% of the equity interests in Hangzhou Ultralon Advertising Co., Ltd. (杭州歐特龍廣告有限公司), a subsidiary of the Group at a consideration of RMB526,500 to 南京易社通科技有限公司 due to business integration.

EMPLOYEES

As at 31 December 2010, the Group has a total of approximately 1,000 full-time staff. The remuneration paid to employees is in line with market rate. During the year, the Group regularly provided training and development programs to the staff.

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

REMUNERATION POLICY

The Group provides competitive salary and benefits to our employees. Salary of the employees is reviewed regularly each year under our salary policy based on their performance.

EMPLOYEES' PENSION SCHEME

According to relevant requirements of the PRC, the Company contributes to various mandatory pension schemes for its employees.

CONTINGENT LIABILITIES

As at 31 December 2010, the Group had no material contingent liabilities.

The Directors present their annual report for 2010 together with the Group's audited consolidated financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITY

The Group is principally engaged in the design, printing and production of outdoor advertising products and the dissemination of outdoor advertisement by leasing outdoor advertising spaces in the PRC.

SEGMENTAL INFORMATION

The turnover and operating profit of the Group are entirely derived from the PRC. The Group has three reportable segments. The segments are managed separately as each business offers different products and requires different business strategies. The Group's reportable segments are media dissemination, media production and terminal dissemination. 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 statement of comprehensive income on page 36.

The Board did not recommend a final dividend for the year ended 31 December 2010.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest customer and the five largest customers accounted for approximately 6% and 23% respectively of the Group's turnover. The Group's largest supplier and five largest suppliers accounted for approximately 3% and 10% respectively to the Group's purchase.

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 16 to the consolidated financial statements.

INTANGIBLE ASSETS

Details of the movements in other intangible assets of the Group during the year are set out in note 19 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the subsidiaries of the Company are set out in note 20 to the consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group are set out in note 26 to the consolidated financial statements.

SHARE CAPITAL

There was no movement in the authorised and issued share capital of the Company during the year. Details of the share capital are set out in note 27 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 28 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the reserves of the Group available for cash distribution or distribution in specie amounted to approximately RMB205.89 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
HE Pengjun

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 26 to page 27 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 14 to the consolidated 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 14 to the consolidated 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 2010.

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

As at 31 December 2010, 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 2010, 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 2010, 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 2010, 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 2010 in the register required to be kept under section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had undertaken certain continuing connected transactions.

The Board has approved and the independent non-executive directors has reviewed the continuing connected transactions of the Company in 2010 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 Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions in accordance with GEM Listing Rule 20.38. A copy of the independent auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

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 2010	:	The annual cap for the year ended 31 December 2010 is RMB35,000,000 and the actual transaction amount under the Engineering Agreement in 2010 is RMB1,687,600.

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 new 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 2010	:	The annual cap for the year ended 31 December 2010 is RMB20,000,000 and the actual transaction amount under the Production Service Agreement in 2010 is RMB1,539,466.

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

Parties	:	(i) the Company (ii) Nanjing Millennium 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, Nanjing Millennium 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 Nanjing Millennium Ankang or the relevant party (being the subsidiaries of Nanjing Millennium Ankang or their respective associate companies) provided that the service fees charged by the Group to Nanjing Millennium 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 Nanjing Millennium Ankang or the relevant party (being the subsidiaries of Nanjing Millennium 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 Nanjing Millennium Ankang or the relevant party for each project. In general, however, Nanjing Millennium 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 2010	:	The annual cap for the year ended 31 December 2010 is RMB8,000,000 and the actual transaction amount under the Graphic Production Agreement in 2010 is RMB829,094.

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 2010, the transactions under the Master Guarantee Agreement have not exceeded the annual cap and the maximum balance together with interests/fee amounted to RMB30,520,000.

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 Nanjing Millennium 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 Nanjing Millennium 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 2010, the transactions under the Guarantee Agreement have not exceeded the annual cap and the maximum balance together with interests/fee amounted to RMB10,350,000.

F. Financial assistance to Nanjing Millennium Ankang - Financial Assistance Agreement

Furthermore, on 4 December 2008, the Company has entered into a Financial Assistance Agreement with Nanjing Millennium 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 Nanjing Millennium 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 Nanjing Millennium Ankang, the respective financial assistance shall be subject to, inter alia, the following conditions:

(i) Nanjing Millennium Ankang and/or Dahe International, holder of the remaining 49% interest in Nanjing Millennium 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 Millennium 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 Nanjing Millennium Ankang. The Company does not have any obligation to compensate and/or indemnify any person including Nanjing Millennium Ankang. If the Company decides to provide any financial assistance to Nanjing Millennium 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 2010, the transactions under the Financial Assistance Agreement have not exceeded the annual cap and the maximum balance together with interests/fee amounted to 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. Throughout the year 2010, the transactions under the Master Guarantee Agreement have not exceeded the annual cap, and the maximum balance together amounted to RMB195,000,000.

AUDIT COMMITTEE

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2010, and believes that the results is prepared according to relevant accounting standards, Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and other statutory requirements with adequate disclosure.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 28 to 33 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 2010 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 consolidated 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
28 March 2011

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 2010. 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 2010.

The Supervisory Committee considers that resolutions of the Board meetings held in 2010 have better protected the interests of the Company, and the audit report 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 2010, and is confident about the prospects of the Company's future developments.

By Order of the Supervisory Committee

Wan Mingmei
Chairman

Nanjing, the PRC,
28 March 2011

DIRECTORS

Executive Directors

He Chaobing (賀超兵), male, aged 51, senior economist. He graduated from the School of Business of Nanjing University, with a degree of EMBA, and was the founder of the Dahe Group. He is currently an executive Director and president of the Group, the leader of Outdoor Advertising Committee of China Advertising Association (中國廣告協會戶外廣告委員會主任), member of the China Advertising Professional Technical Qualification Appraisal Committee (中國廣告協會學術委員會), 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 45, a Canadian Chinese, graduated from the Faculty of Science and International Commercial College of Nanjing University, 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 financial officer and vice President of the Group. He worked in government authorities and real estate groups in the PRC from 1990 to 1999, and worked in the North American International Group of Canada, engaging in investment and marketing from 1999 to 2004. He joined the Group in 2004 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 47, 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 59, an experienced manager in the production of outdoor advertisements. He is currently a non-executive Director of Dahe Group, and the general manager of Nanjing Dahe Advertising Engineering Industrial Co., Ltd. Mr. He has been a non-executive director of the Group since December 2000.

He Pengjun (賀鵬君), male, aged 26, graduated from Business Faculty of the University of Hertfordshire and is currently pursuing his master's degree in marketing. He has been working for A.O. Smith as Management Trainee since 2008 and resigned in 2009. He has been a non-executive director of the Group since 20 May 2009.

Independent non-executive Directors

Sun Yingcai (孫英才), male, aged 64. 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 57. 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, executive member of Jiangsu Advertising Association, council member of Jiangsu Marketing Association, executive member of China Civil Airlines Advertising Committee, deputy supervisor of Jiangsu Lugou International Market Development Committee.

Ye Jianmei (葉建梅), female, aged 48, 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 officer 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 officer of Dongfang Shopping Mall Company Limited.

SUPERVISORS

Wang Mingmei (王明梅), female, aged 62, is a representative of the Supervisory Committe nominated by the Shareholders. 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 39, is a representative of the Supervisory Committee nominated by the Shareholders. Mr. Liu obtained a bachelor's degree in engineering from Nanjing University of Aeronautics and Astronautics in 1990 and a master 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 51, 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 57, 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 34, 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 the deputy general manager of 嘉寶廣告有限公司, the deputy general manager of 大賀通力廣告有限公司, 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
HE Pengjun

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 2010
Executive Directors:	
HE Chaobing	8/8
YANG Jianliang	8/8
Non-executive directors:	
LI Huafei	8/8
HE Lianyi	8/8
HE Pengjun	8/8
Independent non-executive directors:	
SUN Yingcai	8/8
GE Jianya	8/8
YE Jianmei	8/8
Number of meetings held during the year	8

(D) BOARD COMMITTEES/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 Jianmei. Ye Jianmei is the chairman of the Audit Committee.

As at 31 December 2010, 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 2010
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 2010, 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 2010, the following table sets out the attendance of the members of the Remuneration Committee at meetings of the Audit Committee during the year:-

	Attendance at meetings/number of meetings held for the year ended 31 December 2010
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 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 2010 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 2010, 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 2010
YANG Jianliang *(Chairman)*	1/1
GE Jianya	1/1
YE Jianmei	1/1
Number of meetings held during the relevant period	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 2010, the Group's external auditors provided the following services to the Group:

	2010 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 consolidated financial statements of Dahe Media Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 100, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with our agreed terms of 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 Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows 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.

BDO Limited
Certified Public Accountants

Choi Man On
Practising Certificate Number P02410

Hong Kong, 28 March 2011

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Turnover	6	**413,225**	357,755
Cost of sales	10	**(284,208)**	(246,669)
Gross profit		**129,017**	111,086
Other income and net gain	8	**6,576**	10,288
Distribution costs		**(38,168)**	(42,446)
Administrative expenses		**(54,337)**	(47,395)
Finance costs	9	**(11,995)**	(12,588)
Profit before income tax	10	**31,093**	18,945
Income tax expense	11	**(8,389)**	(6,910)
Profit and total comprehensive income for the year		**22,704**	12,035
Attributable to:			
Owners of the Company		**15,828**	7,947
Non-controlling interests		**6,876**	4,088
		22,704	12,035
Earnings per share - Basic (RMB)	12	**0.019**	0.010

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	**33,179**	32,708
Property, plant and equipment	16(a)	**168,100**	177,187
Construction in progress	16(b)	**—**	3,234
Prepaid land lease payments	17	**2,343**	2,400
Goodwill	18	**15,679**	15,679
Other intangible assets	19	**2,575**	2,808
Deposit paid to a fellow subsidiary	31(d)	**35,790**	29,736
Deferred tax assets	11	**4,980**	4,980
Available-for-sale financial assets	29	**52**	—
Total non-current assets		**262,698**	268,732
Current assets			
Inventories	21	**9,644**	6,583
Trade and note receivables	22	**131,656**	110,233
Other receivables, deposits and prepayments	23	**50,683**	52,088
Amount due from a former subsidiary	29	**937**	937
Deposit paid to holding company	31(c)	**20,000**	—
Amount due from a fellow subsidiary	31(d)	**20,000**	34,489
Amounts due from related companies	31(e)	**1,283**	2,163
Bank balances and cash and pledged bank deposits	24	**119,534**	140,089
Total current assets		**353,737**	346,582
Current liabilities			
Trade payables	25	**39,360**	27,822
Other payables, deposits received and accruals	25	**6,200**	4,996
Deferred advertising income		**22,483**	27,545
Amount due to holding company	31(c)	**12,644**	22,756
Amounts due to related companies	31(e)	**—**	767
Bank borrowings	26	**183,358**	197,000
Income tax payables		**6,830**	5,758
Other tax payables		**1,019**	2,826
Total current liabilities		**271,894**	289,470

	Notes	2010 RMB'000	2009 RMB'000
Net current assets		**81,843**	57,112
Total assets less current liabilities		**344,541**	325,844
Non-current liability			
Bank borrowings	26	**—**	4,000
NET ASSETS		**344,541**	321,844
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	27	**83,000**	83,000
Reserves		**231,111**	215,283
Equity attributable to owners of the Company		**314,111**	298,283
Non-controlling interests		**30,430**	23,561
TOTAL EQUITY		**344,541**	321,844

On behalf of the board

He Chaobing
Director

Yang Jianliang
Director

Statement of Financial Position

As at 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	**33,179**	32,708
Property, plant and equipment	16(a)	**56,611**	61,559
Construction in progress	16(b)	**—**	2,796
Prepaid land lease payments	17	**2,343**	2,400
Other intangible assets	19	**1,229**	1,337
Investments in subsidiaries	20	**51,781**	64,410
Deposit paid to a fellow subsidiary	31(d)	**27,089**	21,648
Deferred tax assets	11	**4,980**	4,980
Total non-current assets		**177,212**	191,838
Current assets			
Inventories	21	**5,683**	4,912
Trade and note receivables	22	**83,299**	73,412
Other receivables, deposits and prepayments	23	**25,947**	23,934
Amount due from holding company	31(c)	**520**	—
Deposit paid to holding company	31(c)	**20,000**	—
Amount due from a fellow subsidiary	31(d)	**20,000**	34,489
Amounts due from subsidiaries	20	**72,705**	75,457
Amount due from a former subsidiary	29	**177**	177
Amounts due from related companies	31(e)	**816**	1,630
Bank balances and cash and pledged bank deposits	24	**107,825**	125,899
Total current assets		**336,972**	339,910

	Notes	2010 RMB'000	2009 RMB'000
Current liabilities			
Trade payables	25	**31,706**	22,390
Other payables, deposits received and accruals	25	**3,851**	3,285
Deferred advertising income		**13,332**	17,243
Amounts due to subsidiaries	20	**882**	631
Amounts due to related companies	31(e)	**—**	88
Bank borrowings	26	**166,358**	185,000
Income tax payables		**1,583**	2,058
Other tax payables		**1,226**	2,047
Total current liabilities		**218,938**	232,742
Net current assets		**118,034**	107,168
NET ASSETS		**295,246**	299,006
CAPITAL AND RESERVES			
Share capital	27	**83,000**	83,000
Reserves	28	**212,246**	216,006
TOTAL EQUITY		**295,246**	299,006

On behalf of the board

He Chaobing
Director

Yang Jianliang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital	Share premium and capital reserves	Statutory surplus reserve	Retained profits	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 27)	(Note 28 (i))	(Note 28(ii))				
Balance at 1 January 2009	83,000	97,421	21,449	86,784	288,654	21,679	310,333
Total comprehensive income for the year	—	—	—	7,947	7,947	4,088	12,035
Acquisition of additional equity interest in a subsidiary	—	—	—	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	298,283	23,561	321,844
Total comprehensive income for the year	—	—	—	15,828	15,828	6,876	22,704
Disposal of a subsidiary (Note 30)	—	—	(14)	14	—	(7)	(7)
Appropriations from retained profits	—	—	1,756	(1,756)	—	—	—
Balance at 31 December 2010	**83,000**	**97,421**	**25,218**	**108,472**	**314,111**	**30,430**	**344,541**

For the year ended 31 December 2010

	2010	2009
	RMB'000	*RMB'000*
Cash flows from operating activities		
Profit before income tax	**31,093**	18,945
Adjustments for:		
Interest income	**(880)**	(2,981)
Interest expense	**11,247**	11,635
Depreciation	**27,462**	32,272
Fair value gain on investment properties	**(471)**	(1,852)
Gain on disposal of a subsidiary	**(5)**	—
Amortisation of other intangible assets and prepaid land lease payments	**290**	285
Loss on disposal of property, plant and equipment	**1,201**	678
Allowance for bad and doubtful debts	**15,598**	7,020
Allowance for other receivables, deposits and prepayments	**470**	2,640
Allowance for obsolete inventories	**792**	312
Operating cash flows before working capital changes	**86,797**	68,954
(Increase)/decrease in inventories	**(3,853)**	1,043
Increase in trade and note receivables	**(38,835)**	(32,232)
Decrease/(increase) in other receivables, deposits and prepayments	**311**	(1,038)
Increase in amount due from a fellow subsidiary	**(8,733)**	(34,489)
Decrease in amount due from a former subsidiary	**—**	191
Decrease/(increase) in amounts due from related companies	**880**	(212)
Increase in trade payables	**12,175**	6,304
Increase/(decrease) in other payables, deposits received and accruals	**3,826**	(3,104)
(Decrease)/increase in deferred advertising income	**(4,785)**	8,646
Decrease in amount due to holding company	**(10,112)**	(21,919)
(Decrease)/increase in amounts due to related companies	**(767)**	535
Decrease in other tax payables	**(1,807)**	(1,334)
Cash generated from/(used in) operations	**35,097**	(8,655)
Interest paid	**(11,247)**	(11,635)
PRC income tax paid	**(7,317)**	(6,485)
Net cash generated from/(used in) operating activities	**16,533**	(26,775)

For the year ended 31 December 2010

	2010 *RMB'000*	2009 *RMB'000*
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(16,519)**	(17,018)
Proceeds on disposal of property, plant and equipment	**620**	980
Addition of other intangible assets	**—**	(40)
(Addition)/release of pledged bank deposits	**(1,045)**	50,000
Payments for construction in progress	**(50)**	(2,974)
Interest received	**880**	2,981
Decrease in deposit paid to a fellow subsidiary	**15,480**	26,285
Proceeds on disposal of a subsidiary, net of cash disposed	**143**	—
Net cash (used in)/generated from investing activities	**(491)**	60,214
Cash flows from financing activities		
New bank borrowings	**227,358**	217,000
Repayment of bank borrowings	**(245,000)**	(266,000)
Deposit paid to holding company	**(20,000)**	—
Acquisition of additional equity interest of a subsidiary	**—**	(524)
Net cash used in financing activities	**(37,642)**	(49,524)
Net decrease in cash and cash equivalents	**(21,600)**	(16,085)
Cash and cash equivalents at beginning of year	**140,089**	156,174
Cash and cash equivalents at end of year	**118,489**	140,089
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**119,534**	140,089
Less: Pledged bank deposits	**(1,045)**	—
	118,489	140,089

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 20 to the consolidated financial statements. The address of its registered office is 5th Floor, Jardine House, 1 Connaught Place, Hong Kong and principal place of business is No.8 Hengfei Road, Economic and Technology Development Zone, Nanjing, the PRC.

The directors of the Company 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, as the ultimate holding company of the Company.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

(a) Adoption of new/revised HKFRSs - effective 1 January 2010

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment - Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) - Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements - Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

(a) Adoption of new/revised HKFRSs - effective 1 January 2010 (continued)

HKFRS 3 (Revised) - Business Combinations and HKAS 27(Revised) - Consolidated and Separate Financial Statements

The revised accounting policies are described in Note 4 to the consolidated financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the consolidated financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group has accounted for the disposal of a subsidiary according to the revised standard, details of which are set out in Note 30 to the consolidated financial statements.

HKAS 17 (Amendments) - Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group concluded that the classification of such leases as operating leases continues to be appropriate and therefore the adoption of revised HKAS 17 has had no impact on the consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

(a) Adoption of new/revised HKFRSs - effective 1 January 2010 (continued)

HK Interpretation 5 - Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause. The adoption of revised HK Interpretation 5 has had no impact on the consolidated financial statements.

(b) Issued new / revised HKFRSs that are potentially relevant to the Group but are not yet effective

HKFRSs (Amendments)	Improvements to HKFRSs 2010 [1&2]
HK(IFRIC) - Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
Amendments to HKFRS 7	Disclosure - Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
Amendments to HKAS 12	Deferred Tax - Recovery of Underlying Assets[5]

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2012

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

(b) Issued new / revised HKFRSs that are potentially relevant to the Group but are not yet effective (continued)

HKFRS 9 "Financial Instruments", replaces those parts of HKAS 39 relating to the classification and measurement of financial assets. Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice, on investment-by-investment basis, to recognise the gains and losses in other comprehensive income that will not be recycled to profit or loss. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listings Rules").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for investment properties that are carried at fair value. History cost is generally based on the fair value of consideration given in exchange of goods.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and each of the group entities.

4. PRINCIPAL ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

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

Business combination from 1 January 2010

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Business combination and basis of consolidation (continued)

Business combination from 1 January 2010 *(continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Business combination prior to 1 January 2010

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connected with business combinations were capitalised as part of the cost of the acquisition.

Where losses applicable to the minority exceed the non-controlling's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is capitalised as a separate asset with any impairment in carrying amount being recognised in profit or loss.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

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)

(d) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of brining 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 year in which it is incurred. In situations where it is probable that future economic benefits associated with the subsequent expenditure will flow to the Group and the cost can be measured reliably, the expenditure is capitalised as an additional cost of the asset.

Depreciation is charged so as to write off the cost of assets, other than construction in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives are as follows:

Outdoor advertising displays	
- Highway boards	20 years
- Enkon boards	10 - 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

Renovations and improvements are capitalised and depreciated over their expected useful lives.

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.

Construction in progress represents buildings, Outdoor advertising displays and other property, plant and equipment under construction and is stated at cost less any impairment losses. Cost comprises direct costs of construction as well as interest charges during the period of construction, installation and testing and certain exchange differences on any related borrowed funds. Capitalisation of interest charges ceases when substantially all the activities necessary to prepare the asset for its intended use are completed. Construction in progress is transferred to appropriate class of property, plant and equipment when it is completed and ready for its intended use and depreciated in accordance with the accounting policy of depreciation.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Prepaid land lease payments

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid land lease payments" in the statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

(f) 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.

(g) Intangible assets - advertising rights

Advertising rights represent fees paid to secure exclusive rights to sell advertising space on certain specified assets or at certain specified locations for a specific period of time. Advertising rights 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)

(h) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, construction in progress, intangible assets, prepaid land lease payments and the Company's investment in subsidiaries 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 loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent 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.

(i) 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)

(j) Financial instruments

(i) Financial assets

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

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.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty;

— it becoming probable that the debtor will enter bankruptcy or other financial reogranisation;

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

An impairment loss is reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

(ii) Impairment loss on financial assets (continued)

For Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities include trade and other payable and borrowings; they are initially measured at fair value, net of directly attributable costs incurred. Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) 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.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

(m) Leases

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)

(n) Government grants

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

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

Other government grants 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 grants 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.

(o) Income taxes

Income taxes for the period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(p) Foreign currencies

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

(q) 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.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(r) Capitalisation on borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying 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.

(s) Revenue recognition

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

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

(iv) Rental income from investment properties is recognised in equal instalments over the accounting periods covered by the lease term.

(t) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant 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 judgments, 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(c), 4(h) and 4(j) to the financial statements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

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

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the 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

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

	2010	2009
	RMB'000	*RMB'000*
Income from media dissemination	**210,902**	225,845
Income from media production	**67,634**	37,448
Income from terminal dissemination	**134,689**	94,462
	413,225	357,755

7. SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal reporting, in accordance with the Group's internal organisation and reporting structure, provided to the chief operating decision-maker to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

— Media dissemination

— Media Production

— Terminal dissemination

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

The Group's senior executive management monitors assets and liabilities on a consolidated basis and not by reportable segment. Accordingly, no additional information on assets and liabilities is presented.

7. SEGMENTAL INFORMATION (continued)

(a) Segment revenue and results

For the year ended 31 December 2010

	Media dissemination *RMB'000*	Media production *RMB'000*	Terminal dissemination *RMB'000*	Total *RMB'000*
Revenue from external customers	**210,902**	**67,634**	**134,689**	**413,225**
Reportable Segment results	**71,994**	**4,470**	**52,553**	**129,017**
Other income and net gain				**6,576**
Distribution costs				**(38,168)**
Administrative expenses				**(54,337)**
Finance costs				**(11,995)**
Profit before income tax				**31,093**

For the year ended 31 December 2009

	Media dissemination *RMB'000*	Media production *RMB'000*	Terminal dissemination *RMB'000*	Total *RMB'000*
Revenue from external customers	225,845	37,448	94,462	357,755
Reportable Segment results	75,426	(2,238)	37,898	111,086
Other income and net gain				10,288
Distribution costs				(42,446)
Administrative expenses				(47,395)
Finance costs				(12,588)
Profit before income tax				18,945

(b) Geographical information

All of the Group's operations and assets are located in the PRC, in which all of its revenue was derived.

(c) Information about major customers

There were no customers for the year ended 31 December 2010 and 2009, contributing over 10% of the Group's total revenue.

8. OTHER INCOME AND NET GAIN

	Notes	2010 RMB'000	2009 RMB'000
Fair value gain of investment properties	15	**471**	1,852
Gain on disposal of a subsidiary	30	**5**	—
Government grants (note)		**3,686**	3,750
Interest income		**880**	2,981
Rental income	32(b)	**1,600**	1,600
Others		**1,135**	783
Loss on disposal of property, plant and equipment		**(1,201)**	(678)
		6,576	10,288

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.

9. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Interest expense on bank loans wholly repayable within five years	**11,247**	11,635
Bank charges	**748**	953
	11,995	12,588

10. PROFIT BEFORE INCOME TAX

	Notes	2010 RMB'000	2009 RMB'000
Profit before income tax is arrived after charging/(crediting) the following:			
Cost of inventories (Note)		**143,148**	113,446
Cost of services (Note)		**141,060**	133,223
		284,208	246,669
Auditor's remuneration		**1,000**	1,036
Depreciation	16	**27,462**	32,272
Amortisation of prepaid land lease payments	17	**57**	57
Amortisation of other intangible assets	19	**233**	228
Allowance for bad and doubtful debts	22	**15,598**	7,020
Allowance for other receivables, deposits and prepayments	23	**470**	2,640
Exchange gains, net		**(41)**	(103)
Employee benefit expenses (excluding directors' and supervisors' remuneration (Note 14(a) and (b)))			
- Salaries, bonus and allowances		**35,698**	34,895
- Retirement benefit scheme contributions		**5,201**	4,821

Note: Cost of inventories and cost of services (together the cost of sales) included RMB13,439,000 (2009: RMB13,617,000) and RMB17,476,000 (2009: RMB23,302,000) 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 RMB792,000 (2009: RMB312,000).

The consolidated profit attributable to owners of the Company includes a profit of RMB2,519,000 (2009: RMB9,407,000) which has been dealt with in the financial statements of the Company.

11. INCOME TAX EXPENSE

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 new technology enterprise in the PRC are 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 2010 (2009: 15%). The subsidiaries of the Company are subject to standard EIT rate of 25% for the year ended 31 December 2010 (2009: 25%).

(a) Income tax expense in the consolidated statement of comprehensive income represents:

	2010	2009
	RMB'000	*RMB'000*
Provision of PRC income tax for the year	**8,389**	6,368
Under provision in respect of prior years	**—**	542
	8,389	6,910

(b) The income tax expense for the year can be reconciled to the Group's accounting profit for the year as follows:

	2010	2009
	RMB'000	*RMB'000*
Profit before income tax	**31,093**	18,945
Tax calculated at the statutory EIT rate of 25% (2009:25%)	**7,773**	4,737
Tax effect of expenses not deductible for taxation purposes	**1,597**	889
Tax effect of non-taxable items	**(3,303)**	(1,363)
Utilisation of previously unrecognised tax losses	**(239)**	(2,018)
Tax effect of unused tax losses of subsidiaries not recognised	**4,138**	6,113
Reduction of income tax under preferential tax treatment	**(1,577)**	(1,990)
Under provision in respect of prior years	**—**	542
Income tax expense	**8,389**	6,910

11. INCOME TAX EXPENSE (continued)

(c) The deferred tax asset of RMB4,980,000 (2009: RMB4,980,000) recognised arises mainly from the deductible temporary difference in relation to the impairment losses on available-for-sale financial asset in prior years.

At 31 December 2010, the Company's subsidiaries have unused tax losses of RMB1,059,000 (2009: RMB1,147,000) and deductible temporary differences of RMB42,361,000 (2009: RMB26,677,000) 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.

12. 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 RMB15,828,000 (2009: RMB7,947,000) and the weighted average number of shares in issue of 830,000,000 (2009: 830,000,000).

No diluted earnings per share is presented for the years ended 31 December 2010 and 2009 as the Company had no potential ordinary shares outstanding during those years.

13. DIVIDENDS

No dividend has been declared or paid by the Company in respect of the year ended 31 December 2010 and 2009.

14. 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 RMB868,056) and as follows:

	2010			
	Fees *RMB'000*	Salaries and allowances *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*
Executive directors				
He Chaobing	—	241	33	274
Yang Jianliang	—	158	—	158
Non-executive directors				
He Lianyi	36	—	—	36
He Pengjun	36	—	—	36
Li Huafei	36	—	—	36
Independent non-executive directors				
Ge Jianya	48	—	—	48
Sun Yingcai	48	—	—	48
Ye Jianmei	48	—	—	48
	252	399	33	684

14. 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 RMB868,056) and as follows: (continued)

	2009			
	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*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, Viveca (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

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.

14. 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 RMB868,056) and as follows:

	2010			
	Salaries and allowances *RMB'000*	**Bonus** *RMB'000*	**Retirement benefit scheme contributions** *RMB'000*	**Total** *RMB'000*
Supervisors:				
Xue Guiyu	**59**	**—**	**13**	**72**
Liu Jianbo	**6**	**—**	**—**	**6**
	65	**—**	**13**	**78**

	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

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.

14. 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 2010 included two directors (2009: two directors) whose remuneration is set out in note (a) above. Details of remuneration of the remaining three (2009: three) highest paid non-director employees whose remuneration were all below HK$1,000,000 (equivalent to RMB868,056) during the years ended 31 December 2010 and 2009 are as follows:

	2010	2009
	RMB'000	*RMB'000*
Salaries and allowances	**690**	513
Bonus	**28**	60
Retirement benefit scheme contributions	**6**	12
	724	585

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.

15. INVESTMENT PROPERTIES

The Group and the Company

	2010	2009
	RMB'000	*RMB'000*
At 1 January	**32,708**	30,856
Fair value gain	**471**	1,852
At 31 December	**33,179**	32,708

The investment properties were revalued at 31 December 2010 and 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 (2009: RMB1,600,000) as rental income with outgoings of RMB305,000 (2009: RMB309,000) from its investment properties. The investment properties are held in the PRC under medium term leases.

16. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

(a) Property, plant and equipment

The Group

	Outdoor advertising displays	Buildings	Leasehold improvements	Production equipment	Furniture, fixtures and equipments	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
As at 1 January 2009	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 16(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
Additions	4,433	998	538	9,671	1,607	1,398	18,645
Transfer from construction in progress (Note 16(b))	—	2,846	—	—	—	—	2,846
Disposal of a subsidiary (Note 30)	(3,756)	—	—	—	(190)	—	(3,946)
Disposals	(3,646)	—	(57)	(4,854)	(1,184)	(1,028)	(10,769)
As at 31 December 2010	**201,406**	**21,107**	**4,074**	**145,278**	**20,668**	**10,375**	**402,908**
Accumulated Depreciation							
As at 1 January 2009	54,458	3,452	2,852	112,994	13,789	5,525	193,070
Charge for the year (Note 10)	20,916	383	801	7,073	1,909	1,190	32,272
Reclassification	—	—	—	71	(71)	—	—
Written back on disposals	(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
Charge for the year (Note 10)	19,707	534	749	3,763	1,481	1,228	27,462
Disposal of a subsidiary (Note 30)	(2,558)	—	—	—	(93)	—	(2,651)
Written back on disposals	(2,449)	—	(57)	(4,441)	(1,108)	(893)	(8,948)
As at 31 December 2010	**86,505**	**4,369**	**2,857**	**119,460**	**15,664**	**5,953**	**234,808**
Carrying amount							
As at 31 December 2010	**114,901**	**16,738**	**1,217**	**25,818**	**5,004**	**4,422**	**168,100**
As at 31 December 2009	132,570	13,428	1,428	20,323	5,051	4,387	177,187

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

(a) Property, plant and equipment (continued)

The Company

	Outdoor advertising displays	Buildings	Leasehold improvements	Production equipments	Furniture, fixtures and equipments	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
As at 1 January 2009	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
Additions	284	—	538	1,745	921	747	4,235
Transfer from construction in progress (Note 16(b))	—	2,846	—	—	—	—	2,846
Disposals	(2,907)	—	—	(4,527)	(1,087)	(1,028)	(9,549)
As at 31 December 2010	**57,549**	**20,109**	**4,036**	**112,957**	**16,075**	**7,170**	**217,896**
Accumulated Depreciation							
As at 1 January 2009	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 disposals	(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
Charge for the year	5,533	458	749	1,989	947	855	10,531
Written back on disposals	(1,937)	—	—	(4,200)	(1,021)	(893)	(8,051)
As at 31 December 2010	**34,535**	**4,293**	**2,813**	**102,836**	**12,697**	**4,111**	**161,285**
Carrying amount							
As at 31 December 2010	**23,014**	**15,816**	**1,223**	**10,121**	**3,378**	**3,059**	**56,611**
As at 31 December 2009	29,233	13,428	1,434	10,692	3,470	3,302	61,559

(i) Outdoor advertising displays are leased to earn revenue (Notes 6 and 32(b)).

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

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

(b) Construction in progress

	The Group *RMB'000*	The Company *RMB'000*
Cost		
As at 1 January 2009	24,495	—
Additions	2,974	2,796
Transfer to property, plant and equipment (Note 16(a))	(24,235)	—
As at 31 December 2009	3,234	2,796
Additions	50	50
Disposal	(438)	—
Transfer to property, plant and equipment (Note 16(a))	(2,846)	(2,846)
As at 31 December 2010	**—**	**—**

17. PREPAID LAND LEASE PAYMENTS

	The Group and the Company	
	2010 ***RMB'000***	2009 *RMB'000*
Cost		
As at 1 January and 31 December	**2,836**	2,836
Accumulated amortisation		
As at 1 January	**436**	379
Charge for the year (Note 10)	**57**	57
As at 31 December	**493**	436
Carrying amount		
As at 31 December	**2,343**	2,400

The Group's and the Company's prepaid land lease payments are held in the PRC under medium term lease.

18. GOODWILL

	2010 *RMB'000*	2009 *RMB'000*
The Group		
Cost and carrying amount:		
As at 1 January and 31 December	**15,679**	15,679

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 2009 and 2010 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:

	2010 *RMB'000*	2009 *RMB'000*
Name of attributable subsidiaries		
Nanjing Millennium Ankang International Media Co., Ltd.（南京千禧安康國際傳媒廣告有限公司）	**12,871**	12,871
Beijing Dahe Shuanglong Advertising Co., Ltd.（北京大賀雙龍廣告有限公司）	**1,574**	1,574
Shanghai Dahe Yasi Advertising Co., Ltd.（上海大賀雅思廣告有限公司）	**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.

18. GOODWILL (continued)

Key assumptions used for value-in-use calculation of Nanjing Millennium Ankang are:

	2010	2009
	%	%
Gross margin	**49 to 53**	50 to 51
Growth rate	**11 to 18**	5 to 6
Discount rate	**7**	7

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 increase in the gross margin and growth rate is driven by the expected growth of PRC national income and purchasing power.

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 2010 and 2009.

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.

19. OTHER INTANGIBLE ASSETS

	The Group	**The Company**
	RMB'000	*RMB'000*
Advertising rights		
Cost:		
At 31 December 2009 and 2010	4,540	2,040
Accumulated amortisation:		
At 1 January 2009	1,504	600
Charge for the year (Note 10)	228	103
At 31 December 2009	1,732	703
Charge for the year (Note 10)	233	108
At 31 December 2010	1,965	811
Carrying amount:		
At 31 December 2010	**2,575**	**1,229**
At 31 December 2009	2,808	1,337

19. OTHER INTANGIBLE ASSETS (continued)

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.

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

	The Company	
	2010	2009
	RMB'000	*RMB'000*
Unlisted investments, at cost	**58,060**	64,410
Less: impairment loss	**(6,279)**	—
	51,781	64,410
Amounts due from subsidiaries	**72,705**	75,457
Amounts due to subsidiaries	**(882)**	(631)

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 2010 are as follows:

			Proportion of ownership interest			
Name of subsidiaries	**Country of incorporation and operation**	**Registered capital** *(RMB'000)*	**Group's effective interest**	**Held by the Company**	**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
Chengdu Ultralon Advertising Co., Ltd. (成都歐特龍廣告有限公司)	PRC	1,000	99%	90%	9%	Inactive
Hebei Dahe Media Co., Ltd. (河北大賀傳媒有限公司)	PRC	9,200	67%	67%	—	Dissemination of outdoor advertisement
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

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

Name of subsidiaries	Country of incorporation and operation	Registered capital (RMB'000)	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by the subsidiaries	Principal activities
Nanjing Dahe Media Training Centre (南京大賀傳媒培訓中心)	PRC	100	100%	100%	—	Provision of training services
Nanjing Millennium Ankang International Media Co., Ltd. (note) (南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"
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. (四川新天傑傳媒科技發展有限責任公司)	PRC	20,000	60%	60%	—	Dissemination of outdoor and media advertisement

Note: Beijing Millennium Ankang International Media Co., Ltd. (北京千禧安康國際傳媒廣告有限公司) changed its name to Nanjing Millennium Ankang International Media Co., Ltd. (南京千禧安康國際傳媒廣告有限公司) during the year.

21. INVENTORIES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Raw materials	**7,040**	5,551	**3,902**	3,903
Work in progress	**28**	23	**—**	—
Finished goods	**2,576**	1,009	**1,781**	1,009
	9,644	6,583	**5,683**	4,912

22. TRADE AND NOTE RECEIVABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**168,421**	132,521	**108,622**	88,322
Allowance for bad and doubtful debts	**(38,035)**	(22,508)	**(26,423)**	(14,910)
	130,386	110,013	**82,199**	73,412
Note receivables	**1,270**	220	**1,100**	—
	131,656	110,233	**83,299**	73,412

(a) The Group generally grants an average credit terms of 120 days to major customers and 90 days to others trade customers. The following is an ageing analysis of trade and note receivables, net of allowance at the end of reporting period is as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**40,578**	32,555	**31,282**	24,149
Between 2 to 3 months	**19,972**	17,105	**10,319**	9,874
Between 4 to 6 months	**29,373**	22,680	**21,054**	15,690
Between 7 to 12 months	**19,482**	21,130	**11,928**	14,655
Between 1 to 2 years	**19,491**	9,993	**7,809**	4,783
Between 2 to 3 years	**2,760**	6,770	**907**	4,261
	131,656	110,233	**83,299**	73,412

22. TRADE AND NOTE RECEIVABLES (continued)

(a) 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.

(b) 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	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**22,508**	18,507	**14,910**	11,885
Written off	**(39)**	(3,019)	**(16)**	(2,079)
Impairment loss recognised (Note 10)	**15,598**	7,020	**11,529**	5,104
Disposal of a subsidiary	**(32)**	—	**—**	—
At 31 December	**38,035**	22,508	**26,423**	14,910

The Group's and the Company's specific allowances for doubtful debts of RMB35,757,000 and RMB24,899,000 (2009: RMB20,512,000 and RMB13,564,000) respectively were recognised as at 31 December 2010. The Group does not held any collateral over these balances. In addition, an allowance of RMB2,278,000 (2009: RMB1,996,000) and RMB1,524,000 (2009: RMB1,346,000) have been made by the Group and the Company respectively as at 31 December 2010 for estimated irrecoverable amounts. This allowance has been determined by reference to past default experience.

(c) 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.

22. TRADE AND NOTE RECEIVABLES (continued)

(d) Trade receivables that were past due but not impaired are as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Neither past due nor impaired	**83,195**	71,120
Less than 3 months	**16,789**	15,375
Between 4 to 6 months	**5,199**	5,755
Between 7 to 12 months	**16,836**	5,473
Between 1 to 2 years	**7,225**	7,496
Between 2 to 3 years	**1,142**	4,794
	130,386	110,013

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.

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other receivables	**5,096**	6,276	**2,400**	1,796
Allowance for bad and doubtful debts	**(1,126)**	(1,999)	**(786)**	(680)
	3,970	4,277	**1,614**	1,116
Deposits	**793**	3,297	**461**	897
Prepayments	**45,920**	44,514	**23,872**	21,921
	50,683	52,088	**25,947**	23,934

Prepayments represent prepaid rental expenses in relation to the renting of places to build the outdoor advertising displays.

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

The prepayment refer to the prepaaid rents of outdoor advertising spaces. 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 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	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**1,999**	1,120	**680**	892
Written off	**(1,338)**	(1,761)	**(250)**	(479)
Impairment loss recognised (Note 10)	**470**	2,640	**356**	267
Disposal of a subsidiary	**(5)**	—	**—**	—
At 31 December	**1,126**	1,999	**786**	680

As at 31 December 2010, the Group and the Company did not have any prepayments expected to be utilised after one year.

24. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

As at 31 December 2010, RMB1,045,000 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 (2009: nil) (Note 26).

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

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**39,360**	27,822	**31,706**	22,390
Other payables and accruals	**4,412**	2,488	**2,151**	1,217
Deposits received	**1,788**	2,508	**1,700**	2,068
	6,200	4,996	**3,851**	3,285
	45,560	32,818	**35,557**	25,675

Generally, the average 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	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**14,948**	13,651	**10,222**	11,157
Between 2 to 3 months	**7,796**	4,680	**6,986**	3,950
Between 4 to 6 months	**7,446**	1,537	**6,711**	1,194
Between 7 to 12 months	**2,851**	2,519	**2,602**	1,573
Between 1 to 2 years	**1,866**	3,219	**1,150**	2,336
Over 2 years	**4,453**	2,216	**4,035**	2,180
	39,360	27,822	**31,706**	22,390

26. BANK BORROWINGS

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans, unsecured	**182,000**	201,000	**165,000**	185,000
Note payables	**1,358**	—	**1,358**	—
	183,358	201,000	**166,358**	185,000

26. BANK BORROWINGS (continued)

Total current and non-current bank borrowings and note payables were repayable as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
On demand or within one year	**183,358**	197,000	**166,358**	185,000
More than one year but not exceeding two years	**—**	4,000	**—**	—
	183,358	201,000	**166,358**	185,000
Amount due within one year included in current liabilities	**183,358**	197,000	**166,358**	185,000
Amount due after one year included in non-current liability	**—**	4,000	**—**	—
	183,358	201,000	**166,358**	185,000

All bank borrowings are denominated in RMB.

Included in the Group's bank loans, bank loans of RMB85,000,000 (2009: RMB201,000,000) were arranged at fixed interest rate, with weighted average effective interest rate of 5.58% (2009: 5.63%). The remaining bank loans of RMB97,000,000 (2009: nil) were arranged at floating interest rate, with weighted average effective interest rate of 5.89%.

Included in the Company's bank loans, bank loans of RMB85,000,000 (2009: RMB185,000,000) were arranged at fixed interest rate, with weighted average effective interest rate of 5.58% (2009: 5.63%). The remaining bank loans of RMB80,000,000 (2009: nil) were arranged at floating interest rate, with weighted average effective interest rate of 5.88%.

As at 31 December 2010, the Group's bank loans of RMB172,000,000 (2009: RMB124,000,000) and the Company's bank loans of RMB165,000,000 (2009: RMB124,000,000) are guaranteed by Mr. He Chaobing, one of the shareholders and directors of the Company, and corporate guarantees from the holding company and a fellow subsidiary (Note 31(f)).

Note payables outstanding as at 31 December 2010 were issued with terms of 6 months and are secured by charges over the Group's bank deposits of RMB1,045,000 (Note 24).

27. SHARE CAPITAL

	Number of shares '000	Amount RMB'000
Registered, issued and fully paid:		
Total domestic shares and H shares of RMB0.1 each at 31 December 2009 and 2010	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 2010, 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 annual general meeting held on 21 May 2010 (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 2011 annual general meeting of the Company; or

(ii) the expiration of the 12-month period following the passing of the resolution (i.e. 21 May 2010); or

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

28. 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				
As at 1 January 2009	97,252	20,481	88,866	206,599
Profit and total comprehensive income for the year	—	—	9,407	9,407
Appropriations from retained profits	—	606	(606)	—
As at 31 December 2009	97,252	21,087	97,667	216,006
Loss and total comprehensive income for the year	—	—	(3,760)	(3,760)
As at 31 December 2010	**97,252**	**21,087**	**93,907**	**212,246**

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 in previous years.

(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.

29. AVAILABLE-FOR-SALE FINANCIAL ASSETS AND AMOUNT DUE FROM A FORMER SUBSIDIARY

Available-for-sale financial assets

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted equity investments, at cost				
Chongqing Dahe Basu Media Co., Ltd. (i)	**19,922**	19,922	**20,394**	20,394
Hangzhou Ultralon Advertising Co., Ltd. (ii)	**52**	—	**—**	—
	19,974	19,922	**20,394**	20,394
Less: impairment loss	**(19,922)**	(19,922)	**(20,394)**	(20,394)
	52	—	**—**	—

Amount due from a former subsidiary

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amount due from a former subsidiary	**937**	937	**177**	177

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

Notes:

(i) Chongqing Dahe Basu Media Co., Ltd. ("Dahe Basu") is 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 a former subsidiary pursuant to the above non-consolidation of Dahe Basu.

As at 31 December 2010 and 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.

(ii) Unlisted equity investments in Hangzhou Ultralon Advertising Co., Ltd. ("Hangzhou Ultralon") represents the remaining 9% equity interest measured at fair value as at the date of disposal after the completion of disposal of the 90% equity interest in Hangzhou Ultralon during the year (Note 30).

The above unlisted equity investments are measured at cost less impairment at the end of reporting period because the directors of the Company are of the opinion that their fair values cannot be measured reliably.

30. DISPOSAL OF A SUBSIDIARY

In June 2010, the Group entered into a sale agreement to dispose its 90% equity interest in Hangzhou Ultralon to an independent third party for a consideration of RMB527,000. Hangzhou Ultralon is engaged in dissemination of outdoor advertisement. The disposal was completed on 30 June 2010, the date on which the control of Hangzhou Ultralon passed to the acquirer. Upon the disposal, the Group remained to hold 9% equity interest in Hangzhou Ultralon, which is re-measured to fair value as at the date of disposal and classified as available-for-sales financial assets.

The net assets of the subsidiary at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	1,295
Trade receivables	1,814
Other receivables	624
Cash and cash equivalent	384
Trade payables	(637)
Other payables	(2,622)
Deferred advertising income	(277)
Non-controlling interests	(7)
	574
Fair value of remaining 9% equity interest in Hangzhou Ultralon classified as available-for-sale financial assets	(52)
Gain on disposal of a subsidiary	5
Total consideration	527
Satisfied by:	
Cash	527
Net cash inflow arising on disposal:	
Cash consideration	527
Cash and bank balances disposed of	(384)
	143

31. RELATED PARTIES TRANSACTIONS

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

	Notes	2010 RMB'000	2009 RMB'000
Holding company			
Guarantee fee received*	(i)	**520**	—
Fellow subsidiaries			
Sales*	(ii)	**1,539**	2,274
Rental income received	(iii)	**240**	240
Construction of advertising displays paid*	(iv)	**1,688**	11,261
Related companies			
Sales	(ii)	**98**	—

* The 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) Guarantee fee was received from the holding company in respect of the issuance of financial guarantee for the holding company's borrowing, which is based on 4% of the guaranteed amount.

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

(iii) Rental income of investment properties was received from a fellow subsidiary in accordance with the rental agreement at an annual rental of RMB240,000 (2009: RMB240,000).

(iv) 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.

31. RELATED PARTIES TRANSACTIONS (continued)

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

	2010 RMB'000	2009 RMB'000
Short term benefits	**1,408**	1,265

(c) Balances with holding company during the year are as follows:

	Notes	The Group 2010 RMB'000	The Group 2009 RMB'000	The Company 2010 RMB'000	The Company 2009 RMB'000
Deposit paid	(i)	**20,000**	—	**20,000**	—
Amount due from/(to) holding company	(ii)	**(12,644)**	(22,756)	**520**	—
		7,356	(22,756)	**20,520**	—

(i) Deposit paid to holding company represents deposits paid for acquiring the 49% equity interest in Nanjing Millennium Ankang, a subsidiary of the Company, from the holding company.

(ii) The amount due from/(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) Balances with a fellow subsidiary during the year are as follows:

	Notes	The Group 2010 RMB'000	The Group 2009 RMB'000	The Company 2010 RMB'000	The Company 2009 RMB'000
Deposit paid	(i)	**35,790**	29,736	**27,089**	21,648
Amount due from a fellow subsidiary	(ii)	**20,000**	34,489	**20,000**	34,489
		55,790	64,225	**47,089**	56,137

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

(ii) 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.

31. RELATED PARTIES TRANSACTIONS (continued)

(e) Amounts due from/(to) related companies are unsecured, interest free and repayable on demand. The carrying amounts of the amounts due from related companies represents the respective maximum amounts outstanding during 2010 and 2009.

(f) As at 31 December 2010, the Group's bank loans of RMB172,000,000 (2009: RMB124,000,000) and the Company's bank loans of RMB165,000,000 (2009: RMB124,000,000) were guaranteed by Mr. He Chaobing, one of the shareholders and directors of the Company, and corporate guarantees from the holding company and a fellow subsidiary (Note 26).

(g) As at 31 December 2010, bank borrowings of RMB10,000,000 of holding company was guaranteed by the Company (2009: RMB30,000,000).

32. OPERATING LEASE ARRANGEMENTS

(a) The Group as a lessee

	2010		2009	
	Land and buildings *RMB'000*	**Media dissemination** *RMB'000*	Land and buildings *RMB'000*	Media dissemination *RMB'000*
Minimum lease payment under operating leases recognised as an expense in the year (included in cost of services - Note 10)	**5,795**	**94,863**	13,790	82,878

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

	2010		2009	
	Land and buildings *RMB'000*	**Media dissemination** *RMB'000*	Land and buildings *RMB'000*	Media dissemination *RMB'000*
Within one year	**6,700**	**24,233**	3,551	43,002
In the second to fifth years inclusive	**11,310**	**20,481**	10,347	26,641
After five years	**2,440**	**174,147**	4,966	14,424
	20,450	**218,861**	18,864	84,067

32. OPERATING LEASE ARRANGEMENTS (continued)

(a) The Group as a lessee (continued)

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.

(b) The Group as a lessor

	2010		2009	
	Investment properties	**Media dissemination**	Investment properties	Media dissemination
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Minimum lease income under operating leases (Notes 6&8)	**1,600**	**210,902**	1,600	200,857

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

	2010		2009	
	Investment properties	**Media dissemination**	Investment properties	Media dissemination
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within one year	**1,360**	**47,880**	807	72,301
In the second to fifth years inclusive	**—**	**13,910**	—	11,072
After five years	**—**	**13**	—	161
	1,360	**61,803**	807	83,534

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 31(a)(iii) to the financial statements and annual fees receivable on contracts to lease outdoor advertising displays for dissemination of outdoor advertising displays 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.

33. CAPITAL COMMITMENTS

As at 31 December 2010, the Group had capital commitment of RMB18,687,000 (2009: RMB33,947,000) contracted but not provided for in respect of construction of outdoor advertising displays.

34. FINANCIAL GUARANTEE LIABILITIES

As at 31 December 2010, the Group and the Company has outstanding guarantee of RMB10,000,000 (2009: RMB30,000,000) provided to the holding company for its bank borrowings. (Note 31(g)). The Company also has outstanding guarantee of RMB10,000,000 provided to a subsidiary for its bank loans (2009: nil).

The directors of the Company consider that the fair value of this outstanding financial guarantee is insignificant at initial recognition and the possibility of default is remote. Accordingly, no value has been recognised at the inception of the guarantee contracts and on the consolidated statement of financial position as at 31 December 2010 and 2009.

35. 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.

36. 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 26, bank balances and cash and pledged bank deposits in Note 24 and equity attributable to owners of the Company, comprising share capital, reserves and retained profits as disclosed in Notes 27 and 28 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.

36. CAPITAL RISK MANAGEMENT (continued)

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

	2010 *RMB'000*	2009 *RMB'000*
Bank borrowings	**183,358**	201,000
Bank balances and cash and pledged bank deposits	**(119,534)**	(140,089)
Net debt	**63,824**	60,911
Equity	**344,541**	321,844
Net debt to equity ratio	**19%**	19%

36. 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, other receivables and the financial guarantees provided by the Group. 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. 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 13% (2009: 11%) and 20% (2009: 15%) of the total trade and note receivables and other receivables was due from the Group's largest customer and the five largest customers respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and note receivables and other receivables are set out in Note 22 and 23 to the consolidated financial statements.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. Except for the financial guarantees given by the Group as set out in Note 34 to the consolidated financial statements, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of reporting period is disclosed in Note 34 to the consolidated financial statements.

37. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of reporting period of the Group's and the Company's non-derivative financial liabilities which are based on contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay:

The Group	**Carrying amount**	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
2010				
Trade payables	**39,360**	**39,360**	**39,360**	**—**
Other payables and deposits received	**4,412**	**4,412**	**4,412**	**—**
Bank borrowings	**183,358**	**189,119**	**189,119**	**—**
	227,130	**232,891**	**232,891**	**—**
Financial guarantees issued				
Maximum amount guaranteed	**—**	**10,000**	**10,000**	**—**

The Group	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2009				
Trade payables	27,822	27,822	27,822	—
Other payables and deposits received	2,488	2,488	2,488	—
Bank borrowings	201,000	206,966	202,753	4,213
	231,310	237,276	233,063	4,213
Financial guarantees issued				
Maximum amount guaranteed	—	30,000	30,000	—

37. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

The Company	**Carrying amount** *RMB'000*	**Total contractual undiscounted cash flow** *RMB'000*	**Within 1 year or on demand** *RMB'000*
2010			
Trade payables	**31,706**	**31,706**	**31,706**
Other payables and deposits received	**2,151**	**2,151**	**2,151**
Bank borrowings	**166,358**	**171,831**	**171,831**
	200,215	**205,688**	**205,688**
Financial guarantees issued			
Maximum amount guaranteed	**—**	**20,000**	**20,000**

The Company	Carrying amount *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Within 1 year or on demand *RMB'000*
2009			
Trade payables	22,390	22,390	22,390
Other payables and deposits received	1,217	1,217	1,217
Bank borrowings	185,000	190,368	190,368
	208,607	213,975	213,975
Financial guarantees issued			
Maximum amount guaranteed	—	30,000	30,000

37. FINANCIAL RISK MANAGEMENT (continued)

(c) Interest rate risk

The Group is exposed to interest rate risk due to changes in interest rates of interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly bank deposits, which are mostly short-term in nature whereas interest-bearing financial liabilities are primarily bank borrowings. As at 31 December 2010, the Group's fair value interest-rate risk mainly arises from bank borrowings as disclosed in Note 26 to the consolidated financial statements. Bank borrowings were issued at fixed rates which expose the Group to fair value interest-rate risk. The Group is also exposed to cash flow interest rate risk in relation to floating-rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation on the rate determined by the People's Bank of China arising from the Group's RMB denominated bank borrowings.

The Group has not used any financial instruments to hedge potential fluctuations in interest rates. However, management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

Sensitivity analysis

At 31 December 2010, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's after-tax profit for the year and retained profits by approximately RMB404,000 (2009: nil).

The sensitivity analysis above has been determined based on the exposure to interest rates for bank borrowings at the end of reporting period arranged at floating market interest rate. The analysis is prepared assuming the amount of liability outstanding at the end of reporting period was outstanding for the whole year. A 50 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

(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. The directors manage this exposure by forming a team to closely monitor the price fluctuation and will consider hedging the risk exposure should the need arise.

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's and the Company's financial assets and financial liabilities recognised at the end of reporting period may be categorised as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets:				
Loans and receivables (including bank balances and cash and pledged bank deposits)	**277,380**	292,188	**286,956**	312,180
Available-for-sale financial assets	**52**	—	**—**	—
	277,432	292,188	**286,956**	312,180
Financial liabilities:				
Financial liabilities measured at amortised cost	**239,774**	254,833	**201,097**	209,326

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities in the consolidated financial statements approximate their fair values, except for the amounts due from subsidiaries which are unsecured, non-interest bearing and have no fixed repayment terms and available-for-sale financial assets which are stated at cost less impairment at the end of reporting period. Given these terms it is not meaningful to disclose their fair values.

39. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 March 2011.

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,				
	2010	2009	2008	2007	2006
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
	(000)	*(000)*	*(000)*	*(000)*	*(000)*
Turnover	**413,225**	357,755	361,002	324,294	388,526
Cost of sales	**(284,208)**	(246,669)	(245,364)	(219,082)	(290,623)
Gross profit	**129,017**	111,086	115,638	105,212	97,903
Other income and net gain	**6,576**	10,288	(14,152)	3,690	5,720
Distribution costs	**(38,168)**	(42,446)	(37,266)	(30,450)	(30,716)
Administrative expenses	**(54,337)**	(47,395)	(42,737)	(40,057)	(37,544)
Finance costs	**(11,995)**	(12,588)	(14,569)	(10,958)	(11,560)
Profit before income tax	**31,093**	18,945	6,914	27,437	23,803
Income tax expense	**(8,389)**	(6,910)	(2,611)	(6,634)	(6,620)
Profit for the year	**22,704**	12,035	4,303	20,803	17,183
Attributable to:					
Owners of the Company	**15,828**	7,947	1,745	20,608	19,001
Non-controlling interests	**6,876**	4,088	2,558	195	(1,818)
	22,704	12,035	4,303	20,803	17,183

ASSETS AND LIABILITIES

	31st December,				
	2010	2009	2008	2007	2006
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
	(000)	*(000)*	*(000)*	*(000)*	*(000)*
Non-current assets	**262,698**	268,732	307,348	290,892	217,147
Current assets	**353,737**	346,582	355,902	300,073	323,335
Current liabilities	**(271,894)**	(289,470)	(352,917)	(280,881)	(233,884)
Net current assets	**81,843**	57,112	2,985	19,192	89,451
Non-current liabilities	**—**	(4,000)	—	—	—
Net assets	**344,541**	321,844	310,333	310,084	306,598

Note:

1. The consolidated financial information as at 31st December, 2008, 2007 and 2006 are extracted from the Company's published annual reports. The consolidated financial information of the Group as at 31st December, 2010 and 2009 are as set out on pages 36 to 38 of the annual report.