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)

2011
Annual Report

*For identification Purposes only

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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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 CITIC Bank
Yueyahu 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 2011.

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. With its abundant outdoor media resources, the Group provided enterprises with integrated sales dissemination services with innovations through transforming traditional media services in the hope of bridging the interaction between human and media. In respect to "Enkon Express Media 3.0" business of the Group, it carried out researches on the application of "internet of things" in traditional area in the field of cloud computing in the internet and played an important role in the expansion of the Group in the new media market, consolidating the Group's leading position in the creative media industry in the PRC.

For the year ended 31 December 2011, the Group's turnover was approximately RMB429.74 million (2010: RMB413.23 million). Although the global economic environment was subject to uncertainty, our customers prudently adjusted their advertising expenditures which resulted in an increase in turnover of the Group and a decrease in its profit. During the year, profits attributable to owners of the Company amounted to RMB13.56 million (2010: approximately RMB15.83 million), representing a decrease of approximately 14% as compared with the same period last year. The earnings per share decreased to approximately RMB1.6 cents (2010: RMB1.9 cent).

During the year, turnover derived from outdoor media dissemination, terminal dissemination and media production amounted to RMB222.15 million (2010: RMB210.90 million), RMB148.56 million (2010: RMB134.69 million) and RMB59.03 million (2010: RMB67.63 million), accounting for 52%, 35% and 13% of total turnover of the Group respectively.

In recent years, the development of new media brought opportunities and challenges to the traditional advertising industry. Its unique interactive mode and support to technologies greatly reduced the restrictions of the traditional media. "Enkon Express Media", a community dissemination media newly developed by the Group, has perfectly integrated brand marketing and community sales. Its technologies, creativity and marketability appealed to customers and consumers. 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, Shenzhen, Nanjing, Hangzhou, Chengdu and Shenyang, and deriving outdoor media dissemination resources of approximately 35,000 square meters. According to an independent market research undertaken by CTR, "Enkon Express Media" has become the first brand name of the noble community media in China. This project brought a turnover of approximately RMB98.65 million and a profit of RMB9.09 million to the Group, representing an increase of 28% and 12% over last year respectively.

The Group proactively expanded its business from traditional outdoor media to new internet media market. During the year, the Group co-operated with Sina, the largest Internet portal in the China, to co-launch a website of "Sina Jiangsu", which provided netizens in Jiangsu with a new media service platform with both localized needs and regional characteristics. "Sina Jiangsu" fully integrated the advantageous resources and delivered news and consumption information, etc. to users. "Sina Jiangsu" has been marketed via micro-blogging, and provided integrated marketing, public relations, brand promotion and monitoring services with Web2.0 products and services to business users. The co-operation represents a new page of development of the Group.

Leveraging on the landscape project experience on major national events such as the Beijing Olympic Games and the Guangzhou Asian Games, in August 2011, the Group succeeded three times consecutively in the tender invitation and bidding for the landscape projects of the 26th Summer Universiade, winning the bids for the landscape projects of the Nanshan Arena of Shenzhen Universiade, the Main Arena of the Summer Universiade and the city landscape project of Shenzhen Universiade, with the income of over RMB21.00 million, becoming the only enterprise which won three bids in this particular event and reflecting the Group's strengths in large scale media production.

As one of the top four advertising enterprises in China, the Group has won recognition from peers and customers with its quality media integration and diversified professional services. During the year, the Group won "Top 10 Outdoor Media Suppliers Award（中國十大戶外媒體供貨商大獎）" and ranked among the list of "Top 500 Enterprises of Jiangsu Province"（蘇商500 強）.The Group was also named as the vice president unit of Nanjing Modern Services Industry Federation（南京現代服務業聯合會副會長單位）, which recognized the achievement of the Group as to public influence, creativity and contribution to the industry.

"Enkon Express Media", the major project of the Group, was awarded the "Most Valued Outdoor Media of China"（中國最具投放價值戶外媒體）of the "China Advertisers Summit - the Third China Advertising Jin Yuan Award（中國主峰會暨第三屆中國廣告金遠獎）" and won the "Case Study Award"（經典案例大獎）in the "China Electronic Commerce Website Benchmark Award"（中國電商網標獎）. The Group was also honoured with the "Excellent Service Team Award"（優秀服務團隊獎）in the 26th Summer Universiade for its outstanding performance.

Mr. He Chaobing, the Chairman of the Group, was awarded for the "Top 10 Leaders of the Cultural and Innovative Industry of Jiangsu Province in 2011"（2011 江蘇文化創意產業十大領軍人物）and the "China Outdoor Media leader Award 2011"（2011 中國戶外傳播領軍人物大獎）. He was also awarded for the "Honorable Award of 30 Figures Affecting Chinese Advertising Industry"（影響中國廣告30 年人物榮譽大獎）on the "Chinese Advertising and Brand Meeting 2011"（2011 中國廣告與品牌大會）organized by China Advertising Magazine（《中國廣告》）, recognizing his outstanding contribution to the cultural industry.

OUTLOOK

With the steady economic growth, per capita incomes and purchasing power in China continue to increase and demands for advertising from enterprises keep rising. The Group is optimistic to the future of the advertising industry in China. In addition, according to the Revitalization Plan for Cultural Industry（文化產業振興規劃）issued in 2009, the government stressed to develop the cultural industry as a pillar of the domestic economy, targeted to double the added values of cultural industry in the next five years and enhanced the importance of outdoor advertising media in the economy in China, creating unprecedented opportunities for the development of cultural industry. The Guidelines for the Development of Retail Industry during the Twelfth Five-year Period（十二五時期促進零售業發展的指導意見）issued by the Ministry of Commence has also indicated the intention of the government to give more support to the retail industry with a target retail growth of 15% per year. All of these show that the future development of the advertising market in China is promising as dually driven by the government policies and prosperous development of the related industries.

With the continuous investment and improvement in internet infrastructure in various provinces and cities, applications such as cloud computing, internet of things, electronic commerce and mobile payment are expected to maintain rapid development. The government policies also provide great support for the development of the advertising creation park providing a wide range of services including advertising, electronic commerce, creative designs and exhibitions. We believe that the future industrial development will benefit from the above infrastructure construction and government policies. Meanwhile, the new internet media is undergoing a transformation, which will drive the development of the advertising industry. New marketing channels such as micro-blogging and video conferencing will speed up the restructuring of the industry and expand the business scope of outdoor media in addition to traditional business. As a well-known outdoor advertising company in China, the Group will grasp the opportunities to cope with the challenges in the new media era through resource integration and software and hardware development.

In future, China will hold various big events including the 2013 Tiajing East Asian Games, the 2014 Nanjing Youth Olympic Games and other international events which are expected to create considerable opportunities for the PRC advertising market. The Group will focus on adopting technologies, providing intelligent services and enhancing the service quality. More efforts will be exerted into the preparation works of government tenders with an aim to expand the income source and development of the Group.

The Group will speed up its business expansion by refining the layout. In addition to consolidating the business and expanding the market share of "Enkon Express Media", the Group will strengthen its research efforts to apply new technologies in traditional advertisements and explore new areas. The Group will continue to develop innovative business. The Group will also develop internet business through "Sina Jiangsu" and strive to create a leading internet platform. The Group will seek strategic partners and focus on expanding its businesses of digital media and socialized media, which are expected to create considerable opportunities for the Group and promote clustered and modulated development of the creative industry. We will grasp the opportunities by leveraging our business advantages to expand into second-tier and third-tier cities in the PRC, establishing a solid foundation for our development in 2012.

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 2012

Financial Highlights and Calendar

For the year ended 31 December 2011
(Expressed in Renminbi)

	2011	2010
	RMB'000	*RMB'000*
Revenue		
Turnover	**429,741**	413,225
Profitability		
Profit from operations (Note)	**47,862**	43,088
Profit attributable to shareholders	**13,561**	15,828
Net Worth		
Equity attributable to shareholders	**326,828**	314,111
Per share		
Basic earnings per share (RMB)	**1.6 cents**	1.9 cents
Net assets attributable to owners of the Company per share (RMB)	**39.38 cents**	37.84 cents

FINANCIAL CALENDAR

Results for the year	Announcement on 28 March 2012
Annual report	Dispatched to shareholders in late March 2012

Note: Profit from operations is defined as profit before income tax and finance costs.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2011, the Group's turnover amounted to approximately RMB429.74 million (2010: RMB413.23 million), representing an increase of approximately 4% over the corresponing period last year. The increase in Group's turnover was mainly attributable to the prudent adjustment of our customers' advertising expenditures driven by the steady economic growth in China as well as the increase in the Group's turnover and the decrease in its profit. During the year, profits attributable to owners of the Company amounted to approximately RMB13.56 million (2010:RMB15.83 million), representing a decrease of approximately 14% when compared to last year. The basic earnings per share decreased by 16% to RMB1.6 cent.

Media Dissemination Business

For the year ended 31 December 2011, the Group's turnover from media dissemination business was approximately RMB222.15 million, accounting for 52% of the Group's total turnover. Currently, the Group has outdoor media resources of approximately 200,000 square meters, mainly billboards in expressway, mass 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", the core business of the Group, continued to gain high recognition from our customers. The Group conducted marketing and promotions of its "Enkon Express Media" among customers from various industries including finance, tourism, telecommunication and fast moving consumer goods, and entered into cooperation agreements with various well-known brands, such as ICBC, Suning Electric, Xiwang Foodstuffs, Sanyuan Foods, Wuzhen Travel, GOME, Shandong Satellite TV, Anhui Satellite TV and Jiangsu Satellite TV. It has also entered into partnership with various famous domestic and international brands such as China Mobile, Mazda, NVC Lighting and Carrefour, Wal-Mart, China Telecom, New City Real Estate(新城市置業）, Shenyin & Wanguo, China Minsheng Bank and China Union Pay, which further consolidated its leading position in the market.

"Enkon Express Media" has become a pioneer in the industry. The upgraded version of "Enkon Express Media 3.0" integrated brand promotion and sales by building 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" has been highly recognized by the industry and the public. According to an independent market research conducted by CTR, "Enkon Express Media" has already become the top media brand among high class society and was awarded the "Most Valued Outdoor Media of China"（中國最具投放價值戶外媒體）.

During the year, "Outdoor Media" has commenced cooperation with well -known enterprises such as Mei fu（美孚）, Jiangsu Sujiu（江蘇蘇酒）, Wuzhen Travel（烏鎮旅遊）and Nanjing Pudong Real Estate（南京浦東房地產）with a contract value of RMB13,000,000.

Terminal dissemination service

During the year, the Group continued to further its terminal dissemination service business and recorded a turnover of approximately RMB148.56 million, accounting for 35% of the Group's total turnover. Customers of the terminal dissemination service included Nike, Wang Laoji, Walmart, Huatai Securities, CR Vanguard, Li Ning and Best Buy, and the contract value was over RMB41.00 million.

In view of the opportunities brought by international events, including the 2011 Shenzhen Universiade and the 2014 Nanjing Youth Olympic Games, the Group accelerated progress in government tender invitation and bidding projects and won a number of projects including the Shenzhen Universiade. After successfully winning the bid for the 26 landscape projects for the 2008 Beijing Olympic Games and 13 landscape projects for the 2010 Guangzhou Asian Games, the Group continued to win the landscape projects for the Nanshan Arena and Main Arena of the 26th Summer Universiade as well as the urban landscape project with the income of over RMB21.00 million by leveraging on its solid capabilities and abundant experiences. The Group was the only enterprise which won three bids in this particular event.

During the year, the Group cooperated with Sina to co-launch a website of "Sina Jiangsu", which provided news, entertainment and life-style information to internet users. Leveraging on its experience in media and advantages brought by the integration of media and taking good use of this cooperation, the Group expanded into a new internet market, laying a solid foundations for future development.

During the year, the Group's 360° Business Terminal Manager served a number of renowned domestic and international brands including Nike, Guangzhou Pharmaceutical Company, Midea, Master Kong, Puma, B&Q, Wang Laoji, Wal-mart and Huatai Securities.

Media production business

During the year, turnover of the Group's media production business was approximately RMB 59.03 million, representing a decrease of approximately 13% over last year and accounting for approximately 13% of the Group's total turnover.

Customer base development

During the year, the Group put its effort in developing "Enkon Express Media", and successfully expanded into the high-end market. The Group entered into a cooperation agreement with a total contract value of nearly RMB30.00 million with ICBC, Suning Electric, Xiwang Foodstuffs, Sanyuan Foods, Wuzhen Travel, GOME, Shandong Satellite TV, Anhui Satellite TV and Jiangsu Satellite TV. 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), Shenyin & Wanguo, China Minsheng Bank and China Union Pay. The Group recorded considerable gains from the above cooperation and further consolidated its advantages and the leading position in the market.

In August 2011, the Group successfully secured the landscape projects for the Nanshan Arena, Mina Arena and Urban Landscape Project of the 26th Summer Universiade with the income of over RMB21.00 million. The Group was the only enterprise winning three bids. The Group once again became the landscape service provider for large national events after Beijing Olympic Games and Guangzhou Asian Games, demonstrating the Group's extensive experiences and strengths on the execution of large media activities.

In September 2011, the Group entered into a cooperation agreement with Sina for the co-launching of "Sina Jiangsu", representing a breakthrough for the Group to expand to new internet channels.

AWARDS AND HONORS

Dahe Group

During the year, the Group had received various honours and awards, including "Top 10 Outdoor Media Suppliers Award"（中國十大戶外媒體供應商大獎）, and ranked among the "Top 500 Enterprises of Jiangsu Province"（蘇商500強）. The Group was elected as the vice president unit of Nanjing Modern Services Industry Federation（南京現代服務業聯合會副會長單位）to promote the transformation of traditional services industry and modern services industry and assist SMEs in modern services industry to enhance their core competitiveness.

During the year, the Group was awarded "The Most Competitive Advertising Company in China in 2011"（2011年度中國廣告行業最具競爭力公司）in the "Fifth Session of International Advertising Summit in 21st Century"（第五屆 21 世紀廣告國際峰會）.

During the year, the Group was awarded "Excellent Services Team Award"（優秀服務團隊獎）for its excellent performance in the landscape project by the 26th Summer Universiade.

Enkon Express Media

During the year, our "Enkon Express Media" was awarded the "Most Valued Outdoor Media of China（中國最具投放價值戶外媒體）" of the "China Advertisers Summit - the Third China Advertising JinYuan Award（中國主峰會暨第三屆中國廣告金遠獎）" and the "Case Study Award"（經典案例大獎）in the "China Electronic Commerce Website Benchmark Award"（中國電商網標獎）.

Chairman

During the year, Mr. He Chaobing, the Chairman of the Group, was awarded for the "Top 10 Leaders of the Cultural and Innovative Industry of Jiangsu Province in（2011江蘇文化創意產業十大領軍人物）" and the "China Outdoor Media leader Award 2011（2011 中國戶外傳播領軍人物大獎）". Mr. He also won the title of "2010 Leaders of Jiangsu Enterprises in Emerging Industries"（2010 蘇商新興產業領軍人物）in the "First Jiangsu Enterprises Institute Award"（首屆蘇商學院獎）. He was also awarded for the "Honorable Award of 30 Figures Affecting Chinese Advertising Industry（影響中國廣告30年人物榮譽大獎）" on the "Chinese Advertising and Brand Meeting 2011（2011 中國廣告與品牌大會）" organised by China Advertising Magazine（《中國廣告》）, which reflects his outstanding contributions to the industry.

MAJOR EVENTS

During the year, the Group and Beijing SINA Internet Information Service Co. Ltd. established Jiangsu SINA Internet Information Service Co. Ltd. ("Jiangsu Sina") with a registered capital of RMB5.00 million. The Group contributed RMB1.70 million capital to Jiangsu Sina and holds 34% equity interests in Jiangsu Sina. In addition, the Group transferred its 5% equity interests in Sichuan Xintianjie Media Technology Development Co., Ltd. ("Sichuan Xintianjie") to Chengdu Xintianjie Advertising Co. Ltd.(成都市新天傑廣告有限責任公司). The Group now holds 55% of the equity interests in Sichuan Xintianjie. During the year, the Group transferred its entire equity interests in Nanjing Audiovisual Digital Media Co. Ltd.（南京聽視界數字傳媒有限公司） and does not hold any shares in the company.

DIVIDEND

The Board did not suggest the distribution of dividend for the year end 31 December 2011.

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, 2011, 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 enterprise 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 2011 while subsidiaries of the Company enjoyed the enterprise income tax rate of 25%. Income tax expense for 2011 was approximately RMB8.13 million, and in 2010 it was approximately RMB8.39 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, trade and other payables increased to RMB46.22 million from approximately RMB45.56 million in 2010. Trade and note receivables increased to RMB189.68 million from RMB131.66 million in 2010.

As at 31 December 2011, bank balance and cash and pledged bank deposits held by the Group amounted to RMB207.34 million; bank borrowings of the Group amounted to RMB292 million. Net Debt-Equity Ratio was approximately 23%, being the percentage of bank borrowings less bank balance and cash over net assets of RMB365.73 million.

Profits attributable to owners of the Company were approximately RMB13.56 million, a decrease of 14% as compared with RMB15.83 million for the last year.

DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

During the year, distribution costs and administrative expenses were approximately RMB102.37 million, while in 2010, it was approximately RMB92.51 million.

FINANCE COSTS

During the year, finance costs were approximately RMB18.68 million, while in 2010 it was approximately RMB12.00 million.

MATERIAL LITIGATION

Chongqing Dahe Basu Media Co., Ltd. ("Dahe Basu"), 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, 27 September 2007 and 15 February 2012. 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 2011, non-controlling interests amounted to approximately RMB38.90 million, while in 2010 it was approximately RMB30.43 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

As at 31 December 2011, the net current assets of the Group were approximately RMB105.11 million, and net assets were approximately RMB365.73 million. In 2010, they were approximately RMB81.84 million and RMB344.54 million respectively.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

In January 2011, the Group entered into a sale agreement to dispose its 30% equity interest in Nanjing Audiovisual Digital Media Co. Ltd. (南京聽視界數字傳媒有限公司) ("Nanjing Audiovisual") to an independent third party for a cash consideration of RMB300,000. In August 2011, the Group further disposed remaining 70% equity interest in Nanjing Audiovisual for a cash consideration of RMB460,000. Nanjing Audiovisual is engaged in electronic publishing. The disposal was completed on 3 August 2011, the date on which the control of Nanjing Audiovisual was passed to the acquirer.

The Group's interest in Sichuan Xintianjie Media Technology Development Co., Ltd. (四川新天傑傳媒科技發展有限責任公司) reduced from 60% to 55% during the year ended 31 December 2011 at a consideration of RMB262,500.

EMPLOYEES

As at 31 December 2011, 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.

CHARGE ON THE GROUP'S ASSETS

As at 31 December 2011, the Group's pledged bank deposits of approximately RMB34 million (31 December 2010: RMB1 million) were pledged as security for the Group's borrowings.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group had no material contingent liabilities.

The Directors present their annual report for 2011 together with the Group's audited consolidated financial statements for the year ended 31 December 2011.

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 40.

The Board did not recommend a final dividend for the year ended 31 December 2011.

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 27 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 28 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 29 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the reserves of the Group available for cash distribution or distribution in specie amounted to approximately RMB122.03 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 30 to page 31 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 2012 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 2011.

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

As at 31 December 2011, 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)*	418,000,000 domestic shares of RMB0.10 each (L)	72.07%
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 Dahe Investment Holdings Company Limited (大賀投資控股集團有限公司) ("Dahe Investment") which was 99% owned by Mr. He Chaobing and 1% owned by Ms. Yan Fen, who is the wife of Mr. He Chaobing.

Save as disclosed above, as at 31 December 2011, 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 2011, 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 Investment *(note 5)*	Beneficial owner	418,000,000 domestic shares of RMB0.10 each (L)	72.07%	50.36%
He Chaobing	Interest of a controlled corporation *(note 2)*	418,000,000 domestic shares of RMB0.10 each (L)	72.07%	50.36%
Yan Fen	Interest of spouse *(note 3)*	418,000,000 domestic shares of RMB0.10 each (L)	72.07%	50.36%

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 Investment which was 99% owned by Mr. He Chaobing and 1% owned by Ms. Yan Fen, who is the wife 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.

5. Jiangsu Dahe International Advertising Group, Co., Ltd. changed its name to Dahe Investment Holdings Company Limited in March 2011.

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 2011, 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 2011 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 2011 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 of the Company as a whole.

During 2011, the guarantee amount provided by Dahe International to the Company has been adjusted from RMB200 million to RMB250 million. Pursuant to GEM Listing Rule 20.65 (4), this financial assistance is provided by a connected person for the benefit of the Company and is on better terms to the Company where no security over the assets of the Company is granted in respect of the financial assistance. Accordingly, this guarantee is exempted from the reporting and announcement requirements and the independent shareholders' approval under the GEM Listing Rules. Also, this type of transaction is not subject to auditor's review.

The Company's auditor was engaged to report on the Group's non-exempted continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews or 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 non-exempted continuing connected transactions disclosed by the Group in the annual report 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 Dahe Investment 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 2011	:	The annual cap for the year ended 31 December 2011 is RMB35,000,000 and the actual transaction amount under the Engineering Agreement in 2011 is RMB1,643,500.

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

Parties	:	(i) the Company (ii) Dahe Investment (iii) Mr. He Chaobing
Date	:	4 December 2008
Agreement	:	Pursuant to the new Production Service Agreement, Dahe Investment 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 Investment 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 Investment or the relevant party (being the associate companies of Dahe Investment 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 Investment or the relevant party for each project. In general, however, Dahe Investment 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 2011	:	The annual cap for the year ended 31 December 2011 is RMB20,000,000 and the actual transaction amount under the Production Service Agreement in 2011 is RMB6,074,853.

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 Investment 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 2011	:	The annual cap for the year ended 31 December 2011 is RMB10,000,000 and the actual transaction amount under the Graphic Production Agreement in 2011 is RMB1,644,497.

FINANCIAL ASSISTANCE

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

The Company and Dahe Investment 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 Investment 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 Investment 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 Investment or its subsidiaries, the respective guarantee shall be subject to, inter alia, the following conditions:

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

(ii) the directors of Dahe Investment 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 Investment or its subsidiaries. The Company does not have any obligation to compensate and/or indemnify any person, including Dahe Investment or its subsidiaries. In return, if the Company decides to provide guarantee for Dahe Investment 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 2011, the transactions under the Master Guarantee Agreement have not exceeded the annual cap and the maximum balance together with interests/fee amounted to RMB31,200,000.

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 Investment, 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 Investment 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 2011, the transactions under the Guarantee Agreement have not exceeded the annual cap and the maximum balance together with interests/fee amounted to RMB10,040,000.

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 Investment, 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 Investment 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 2011, the transactions under the Financial Assistance Agreement have not exceeded the annual cap and the maximum balance together with interests/fee amounted to RMB63,079,889.

G. Provision of Financial assistance by Dahe Investment

The Company and Dahe Investment have entered into a Master Finance Agreement on 4 December 2008. Pursuant to the Master Finance Agreement, Dahe Investment 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 Investment shall receive no consideration for the issue of the guarantee. Throughout the year 2011, the transactions under the Master Guarantee Agreement have not exceeded the annual cap, and the maximum balance together amounted to RMB207,000,000.

During 2011, the guarantee amount provided by Dahe Investment to the Company has been adjusted from RMB200 million to RMB250 million. Pursuant to GEM Listing Rule 20.65 (4), this financial assistance is provided by a connected person for the benefit of the Company and is on better terms to the Company where no security over the assets of the Company is granted in respect of the financial assistance. Accordingly, this guarantee is exempted from the reporting and announcement requirements and the independent shareholders' approval under the GEM Listing Rules. Also, this type of transaction is not subject to auditor's review.

AUDIT COMMITTEE

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2011, 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 32 to 37 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 the expiry of their terms of employment 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.

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 2012

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 2011. 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 2011 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 2011, 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 2012

DIRECTORS

Executive Directors

He Chaobing (賀超兵), male, aged 52, 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 46, 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 48, 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 60, 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 27, 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 65. 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 58. 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 49, 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 63, 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 40, 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 52, 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

Lu Yin (魯音), female, aged 37. She is currently the vice president and general manager of the public affair department of the Group. She graduated from Nanjing University of Science and Technology in 1997 with a bachelor's degree in Electronic Engineering. She has worked in renowned property companies and Taiwanese enterprises for 8 years and has extensive experience in management. She joined Dahe in 2004 as the assistant to the president and the officer of the integrated office.

Huang Hongxing (黃洪興), male, aged 35. He is currently the vice president of the Group. He graduated from the EMBA program at Fudan University with a master's degree. Since he joined Dahe in 1999, he has been the general manager of the Hangzhou branch and the Shanghai branch of Dahe Group, and the general manager of Dahe Yasi Advertising and the vice president for the original dissemination production group. He has extensive experience in customer base development and execution management.

(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 2012.

(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 2011
Executive Directors:	
HE Chaobing	6/6
YANG Jianliang	6/6
Non-executive directors:	
LI Huafei	6/6
HE Lianyi	6/6
HE Pengjun	6/6
Independent non-executive directors:	
SUN Yingcai	6/6
GE Jianya	6/6
YE Jianmei	6/6
Number of meetings held during the year	6

(D) BOARD COMMITTEES/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. On 31 December 2011, the members of the Audit Committee were: Sun Yingcai, Ge Jianya and Ye Jianmei. Ye Jianmei is the chairman of the Audit Committee.

As at 31 December 2011, 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 2011
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 2011, 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. On 31 December 2011, the members of the Remuneration Committee were: HE Chaobing, Ye Jianmei and Ge Jianya. HE Chaobing is the chairman of the Remuneration Committee.

As at 31 December 2011, 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 2011
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 2011 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. On 31 December 2011, the members of the Nomination Committee were: Yang Jianliang, Ge Jianya and Ye Jianmei. Yang Jianliang is the chairman of the Nomination Committee.

As at 31 December 2011, 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 2011
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 2011, the Group's external auditors provided the following services to the Group:

	2011 **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 40 to 108, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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 2011 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 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 *RMB'000*	2010 *RMB'000*
Turnover	6	**429,741**	413,225
Cost of sales	10	**(281,959)**	(284,208)
Gross profit		**147,782**	129,017
Other revenue and net gains and losses	8	**2,580**	6,576
Distribution costs		**(40,560)**	(38,168)
Administrative expenses		**(61,808)**	(54,337)
Share of results of a jointly controlled entity	21	**(132)**	—
Finance costs	9	**(18,680)**	(11,995)
Profit before income tax	10	**29,182**	31,093
Income tax expense	11	**(8,134)**	(8,389)
Profit and total comprehensive income for the year		**21,048**	22,704
Attributable to:			
– Owners of the Company		**13,561**	15,828
– Non-controlling interests		**7,487**	6,876
		21,048	22,704
Earnings per share – Basic and diluted (RMB)	12	**0.016**	0.019

As at 31 December 2011

	Notes	2011 *RMB'000*	2010 *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	**32,981**	33,179
Property, plant and equipment	16(a)	**150,536**	168,100
Construction in progress	16(b)	**—**	—
Prepaid land lease payments	17	**2,286**	2,343
Goodwill	18	**15,679**	15,679
Other intangible assets	19	**2,342**	2,575
Interest in a jointly controlled entity	21	**1,568**	—
Deposit paid to a fellow subsidiary	32(d)	**50,198**	35,790
Deferred tax assets	11	**4,980**	4,980
Available-for-sale financial assets	30	**52**	52
Total non-current assets		**260,622**	262,698
Current assets			
Inventories	22	**7,178**	9,644
Trade and note receivables	23	**189,680**	131,656
Other receivables, deposits and prepayments	24	**45,964**	50,683
Amount due from a former subsidiary	30	**937**	937
Deposit paid to holding company	32(c)	**30,000**	20,000
Amounts due from a jointly controlled entity		**128**	—
Amount due from a fellow subsidiary	32(d)	**3,000**	20,000
Amounts due from related companies	32(e)	**4,744**	1,283
Bank balances and cash and pledged bank deposits	25	**207,335**	119,534
Total current assets		**488,966**	353,737
Total assets		**749,588**	616,435
Current liabilities			
Trade payables	26	**38,327**	39,360
Other payables, deposits received and accruals	26	**7,890**	6,200
Deferred advertising income		**23,165**	22,483
Amount due to holding company	32(c)	**11,956**	12,644
Bank borrowings	27	**292,000**	183,358
Income tax payables		**6,088**	6,830
Other tax payables		**4,431**	1,019
Total current liabilities		**383,857**	271,894

As at 31 December 2011

	Notes	2011 *RMB'000*	2010 *RMB'000*
Net current assets		**105,109**	81,843
Total assets less current liabilities		**365,731**	344,541
NET ASSETS		**365,731**	344,541
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	28	**83,000**	83,000
Reserves		**243,828**	231,111
Equity attributable to owners of the Company		**326,828**	314,111
Non-controlling interests		**38,903**	30,430
TOTAL EQUITY		**365,731**	344,541

On behalf of the board

He Chaobing
Director

Yang Jianliang
Director

Statement of Financial Position

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	**32,981**	33,179
Property, plant and equipment	16(a)	**46,986**	56,611
Construction in progress	16(b)	**—**	—
Prepaid land lease payments	17	**2,286**	2,343
Other intangible assets	19	**1,121**	1,229
Investments in subsidiaries	20	**50,938**	51,781
Interest in a jointly controlled entity	21	**1,700**	—
Deposit paid to a fellow subsidiary	32(d)	**42,420**	27,089
Deferred tax assets	11	**4,980**	4,980
Total non-current assets		**183,412**	177,212
Current assets			
Inventories	22	**3,313**	5,683
Trade and note receivables	23	**122,412**	83,299
Other receivables, deposits and prepayments	24	**15,514**	25,947
Amount due from holding company	32(c)	**1,210**	520
Deposit paid to holding company	32(c)	**30,000**	20,000
Amount due from a fellow subsidiary	32(d)	**3,000**	20,000
Amounts due from subsidiaries	20	**69,422**	72,705
Amount due from a former subsidiary	30	**177**	177
Amounts due from related companies	32(e)	**1,256**	816
Amount due from a jointly controlled entity	21	**128**	—
Bank balances and cash and pledged bank deposits	25	**196,656**	107,825
Total current assets		**443,088**	336,972
Total assets		**626,500**	514,184
Current liabilities			
Trade payables	26	**26,647**	31,706
Other payables, deposits received and accruals	26	**3,976**	3,851
Deferred advertising income		**10,924**	13,332
Amounts due to subsidiaries	20	**6,368**	882
Bank borrowings	27	**275,000**	166,358
Income tax payables		**343**	1,583
Other tax payables		**2,586**	1,226
Total current liabilities		**325,844**	218,938

As at 31 December 2011

	Notes	2011 *RMB'000*	2010 *RMB'000*
Net current assets		**117,244**	118,034
Total assets less current liabilities		**300,656**	295,246
NET ASSETS		**300,656**	295,246
CAPITAL AND RESERVES			
Share capital	28	**83,000**	83,000
Reserves	29	**217,656**	212,246
TOTAL EQUITY		**300,656**	295,246

On behalf of the board

He Chaobing
Director

Yang Jianliang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Share capital *RMB'000* *(Note 28)*	Share premium and capital reserve *RMB'000* *(Note 29 (i))*	Statutory surplus reserve *RMB'000* *(Note 29(ii))*	Other reserve *RMB'000*	Retained profits *RMB'000*	Equity attributable to owners of the Company *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
Balance at 1 January 2010	83,000	97,421	23,476	—	94,386	298,283	23,561	321,844
Profit and total comprehensive income for the year	—	—	—	—	15,828	15,828	6,876	22,704
Disposal of a subsidiary (Note 31)	—	—	(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
Profit and total comprehensive income for the year	—	—	—	—	13,561	13,561	7,487	21,048
Disposal of a subsidiary (Note 31)	—	—	—	363	—	363	(382)	(19)
Arising from partial disposal of equity interest in subsidiaries	—	—	—	(1,207)	—	(1,207)	1,768	561
Dividend paid to non-controlling shareholder of a subsidiary	—	—	—	—	—	—	(400)	(400)
Balance at 31 December 2011	**83,000**	**97,421**	**25,218**	**(844)**	**122,033**	**326,828**	**38,903**	**365,731**

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011	2010
	RMB'000	*RMB'000*
Cash flows from operating activities		
Profit before income tax	**29,182**	31,093
Adjustments for:		
Interest income	**(149)**	(880)
Interest expense	**17,930**	11,247
Depreciation of properties, plant and equipment	**25,604**	27,462
Fair value loss/(gain) on investment properties	**198**	(471)
Loss/(gain) on disposal of subsidiaries	**793**	(5)
Amortisation of other intangible assets and prepaid land lease payments	**290**	290
Loss on disposal of property, plant and equipment	**1,779**	1,201
Allowance for bad and doubtful debts	**16,696**	15,598
Allowance for other receivables, deposits and prepayments	**900**	470
Impairment loss on deposit paid to fellow subsidiary	**2,000**	—
(Reversal of)/allowance for obsolete inventories	**(123)**	792
Share of results of a jointly controlled entity	**132**	—
Operating profit before working capital changes	**95,232**	86,797
Decrease/(increase) in inventories	**1,452**	(3,853)
Increase in trade and note receivables	**(74,720)**	(38,835)
Decrease in other receivables, deposits and prepayments	**3,612**	311
Increase in amounts due from a fellow subsidiary	**—**	(8,733)
Increase in amount due from a jointly controlled entity	**(128)**	—
(Increase)/decrease in amounts due from related companies	**(3,461)**	880
(Decrease)/increase in trade payables	**(1,033)**	12,175
Increase in other payables, deposits received and accruals	**1,710**	3,826
Increase/(decrease) in deferred advertising income	**682**	(4,785)
Decrease in amount due to holding company	**(688)**	(10,112)
Decrease in amount due to related companies	**—**	(767)
Increase/(decrease) in other tax payables	**3,466**	(1,807)
Cash generated from operations activities	**26,124**	35,097
Interest paid	**(17,930)**	(11,247)
PRC income tax paid	**(8,866)**	(7,317)
Net cash (used in)/generated from operating activities	**(672)**	16,533

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(12,042)**	(16,519)
Proceeds on disposal of property, plant and equipment		**2,210**	620
Addition of pledged bank deposits		**(32,955)**	(1,045)
Payments for construction in progress		**—**	(50)
Interest received		**149**	880
Decrease in deposit paid to a fellow subsidiary		**592**	15,480
Proceeds on disposal of a subsidiary, net of cash disposed	31	**460**	143
Contribution to a jointly controlled entity		**(1,700)**	—
Net cash used in investing activities		**(43,286)**	(491)
Cash flows from financing activities			
New bank borrowings		**295,000**	227,358
Repayment of bank borrowings		**(186,357)**	(245,000)
Deposit paid to holding company		**(10,000)**	(20,000)
Proceeds on partial disposal of equity interest in a subsidiary		**561**	—
Dividends paid to non-controlling shareholder of a subsidiary		**(400)**	—
Net cash generated from/(used in) financing activities		**98,804**	(37,642)
Net increase/(decrease) in cash and cash equivalents		**54,846**	(21,600)
Cash and cash equivalents at beginning of year		**118,489**	140,089
Cash and cash equivalents at end of year		**173,335**	118,489
Analysis of balances of cash and cash equivalents			
Bank balances and cash and pledged bank deposits		**207,335**	119,534
Less: Pledged bank deposits		**(34,000)**	(1,045)
		173,335	118,489

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 to 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 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 abd Technology Development Zone, Nanjing, the PRC.

The directors of the Company consider Dahe Investment Holdings Company Limited ''Dahe Investment'' (Previously Known as Jiangsu Dahe International Advertising Group, Co., Ltd. (Note "大賀投資控股集團有限公司", previously known as "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.

Note: The English translation of the company name is for reference only. The official name of the company is in Chinese.

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

(a) Adoption of new/revised HKFRSs – Effective 1 January 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

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

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and no material impact has been noted for comparative periods disclosure. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for comparative period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. The Group has reassessed the identification of its related parties in accordance with the revised definition.

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

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new and revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[5]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interest in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 19 (2011)	Employee Benefits[4]
HK(IFRIC) – Interpretation 20	Stripping costs of the Production Phase of a surface Mine
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Venture[4]

1 Effective for annual periods beginning on or after 1 July 2011

2 Effective for annual periods beginning on or after 1 January 2012

3 Effective for annual periods beginning on or after 1 July 2012

4 Effective for annual periods beginning on or after 1 January 2013

5 Effective for annual periods beginning on or after 1 January 2014

6 Effective for annual periods beginning on or after 1 January 2015

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the 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) New/revised HKFRSs that have been issued but are not yet effective (continued)

Amendments to HKAS 12 – Deferred Tax – Recovery of Underlying Assets

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.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Amendments to HKAS 32 Presentation – Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement"

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

HKFRS 9 – Financial Instruments

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 to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification 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.

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

(b) New/revised HKFRSs that have been issued but are not yet effective (continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011) and HKAS 28 (2011). These five standards are effective for annual periods beginning on or after 1 January 2013 as mentioned above. Earlier application is permitted provided that all of these five standards are applied early at the same time.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 11 – Joint Arrangements

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method.

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

(b) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

HKAS 19 (2011) – Employee Benefits

HKAS 19 (2011) abandons the corridor approach with the result that changes in defined benefit obligations and the fair value of plan assets are recognised in the period in which they occur. The revised standard requires the changes in the Group's net defined benefit liability (or asset) to be separated into three components: service cost (including current and past service cost and settlements) recognised in profit or loss; net interest on the net defined benefit liability recognised in profit or loss; and re-measurements of the defined benefit liability (or asset) recognised in other comprehensive income. The revised standard distinguishes between short-term and long-term employee benefits based on the expected date of settlement. The previous standard used the term "due to be settled". This change may result in more plans being classified as long-term employee benefit plans that will need to be accounted for in a similar way to defined benefit plans. HKAS 19 (2011) provides additional guidance on the definition of termination benefits. Benefits that are conditional on future service being provided including those that increase if additional service is provided are not termination benefits. The revised standard requires that a liability for termination benefits is recognised on the earlier of the date when the entity can no longer withdraw the offer of those benefits and the date the entity recognises any related restructuring costs. This could lead to later recognition of voluntary termination benefits in some cases. The amendments will generally be applied retrospectively with two exceptions.

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs and the directors of the Company so far concluded that the application of these new or revised HKFRSs will have no material impact on the Group's financial statements.

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 and its jointly controlled entity. 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.

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's 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. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

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.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

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.

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.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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.

(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) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Jointly controlled entities are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the jointly controlled entities' net assets except that losses in excess of the Group's interest in the jointly controlled entities are not recognised unless there is an obligation to make good those losses.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are immediately recognised in profit or loss.

The Company's interests in jointly controlled entities are stated at cost less impairment losses, if any. Results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. 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)

(e) 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 bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to profit or loss in the 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)

(f) 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.

(g) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

(h) Intangible assets – advertising rights

Advertising rights represent fees paid to secure exclusive rights to sell advertising space on certain specified assets or at certain specified locations for a specific period of time. Advertising rights acquired outright by the Group which the Group has the right of transfer are capitalised as intangible assets. Other contracts obtained by the Group are accounted for as operating leases of advertising rights.

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

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

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, intangible assets, prepaid land lease payments, interest in a jointly controlled entity and the Company's investments 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.

(j) Inventories

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

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Financial 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)

(k) 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.

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.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(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.

(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 contract 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)

(l) 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.

(m) 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.

(n) 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)

(o) 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.

(p) 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)

(q) 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.

(r) 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) Defined contribution retirement benefit scheme

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)

(s) 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.

(t) 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.

(u) 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(d), 4(i) and 4(k) 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 net invoiced value of goods sold and services provided to customers after any allowance and discounts and is analysed as follows:

	2011	2010
	RMB'000	*RMB'000*
Income from media dissemination	**222,150**	210,902
Income from media production	**59,034**	67,634
Income from terminal dissemination	**148,557**	134,689
	429,741	413,225

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 2011

	Media dissemination *RMB'000*	Media production *RMB'000*	Terminal dissemination *RMB'000*	Total *RMB'000*
Revenue from external customers	**222,150**	**59,034**	**148,557**	**429,741**
Reportable Segment results	**92,680**	**3,712**	**51,390**	**147,782**
Other revenue and net gains and losses				**2,580**
Distribution costs				**(40,560)**
Administrative expenses				**(61,808)**
Share of results of a jointly controlled entity				**(132)**
Finance costs				**(18,680)**
Profit before income tax				**29,182**

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 revenue and net gains and losses				6,576
Distribution costs				(38,168)
Administrative expenses				(54,337)
Finance costs				(11,995)
Profit before income tax				31,093

7. SEGMENTAL INFORMATION (continued)

(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 2011 and 2010, contributing over 10% of the Group's turnover.

8. OTHER REVENUE AND NET GAINS AND LOSSES

	Notes	**2011**	2010
		RMB'000	*RMB'000*
Other revenue			
Interest income		**149**	880
Government grants (note)		**2,080**	3,686
Rental income	33(b)	**1,655**	1,600
Others		**1,466**	1,135
		5,350	7,301
Net gains and losses			
Fair value (loss)/gain of investment properties	15	**(198)**	471
(Loss)/gain on disposal of subsidiaries	31	**(793)**	5
Loss on disposal of property, plant and equipment		**(1,779)**	(1,201)
		(2,770)	(725)
Total		**2,580**	6,576

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

	2011 RMB'000	2010 RMB'000
Interest expense on bank loans wholly repayable within five years	**13,047**	10,610
Interest expense on note payables	**4,883**	637
Bank charges	**750**	748
	18,680	11,995

10. PROFIT BEFORE INCOME TAX

	Notes	2011 RMB'000	2010 RMB'000
Profit before income tax is stated after charging/(crediting) the following:			
Cost of inventories (Note)		**151,293**	143,148
Cost of services (Note)		**130,666**	141,060
		281,959	284,208
Auditor's remuneration		**1,040**	1,000
Depreciation of property, plant and equipment	16	**25,604**	27,462
Amortisation of prepaid land lease payments	17	**57**	57
Amortisation of other intangible assets	19	**233**	233
Allowance for bad and doubtful debts on trade and note receivables	23	**16,696**	15,598
Allowance for bad and doubtful debts on other receivables, deposits and prepayments	24	**900**	470
Impairment loss on deposit paid to fellow subsidiary	32(d)	**2,000**	—
Exchange gains, net		**—**	(41)
Employee benefit expenses (excluding directors' and supervisors' remuneration (Note 14(a) and (b))			
– Salaries, bonus and allowances		**38,514**	35,698
– Defined contribution retirement benefit scheme		**6,026**	5,201
Research and development costs included in administrative expenses		**5,409**	2,202

Note: Cost of inventories and cost of services (together the cost of sales) included RMB13,019,000 (2010: RMB13,439,000) and RMB14,997,000 (2010: RMB17,476,000) respectively relating to staff costs, depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above.

The consolidated profit attributable to owners of the Company includes a profit of RMB5,410,000 (2010: RMB2,519,000) 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 2011 (2010: 15%). The subsidiaries of the Company are subject to standard EIT rate of 25% for the year ended 31 December 2011 (2010: 25%).

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

	2011	2010
	RMB'000	*RMB'000*
Provision of PRC income tax for the year	**8,183**	8,389
Over provision in respect of prior years	**(49)**	—
	8,134	8,389

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

	2011	2010
	RMB'000	*RMB'000*
Profit before income tax	**29,182**	31,093
Less: Share of results of jointly controlled entity	**(132)**	—
	29,050	31,093
Tax calculated at the statutory EIT rate of 25% (2010: 25%)	**7,263**	7,773
Tax effect of expenses not deductible for taxation purposes	**886**	1,597
Tax effect of non-taxable items	**(2,108)**	(3,303)
Utilisation of previously unrecognised tax losses	**(184)**	(239)
Tax effect of unused tax losses of subsidiaries not recognised	**3,695**	4,138
Reduction of income tax under preferential tax treatment	**(1,369)**	(1,577)
Over provision in respect of prior years	**(49)**	—
Income tax expense	**8,134**	8,389

11. INCOME TAX EXPENSE (continued)

(c) The deferred tax asset of RMB4,980,000 (2010: 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 2011, the Company's subsidiaries have unused tax losses of RMB2,085,000 (2010: RMB1,059,000) and deductible temporary differences of RMB55,380,000 (2010: RMB42,361,000) 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 RMB13,561,000 (2010: RMB15,828,000) and the weighted average number of shares in issue of 830,000,000 (2010: 830,000,000).

The dilutive earnings per share are the same as the basic earnings per share for the years ended 31 December 2011 and 2010 as there were no dilutive potential ordinary shares outstanding during both years.

13. DIVIDENDS

No dividend has been declared or paid by the Company in respect of the year ended 31 December 2011 and 2010.

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 RMB827,130 (2010: RMB868,056)) and as follows:

	2011			
	Fees *RMB'000*	**Salaries and allowances** *RMB'000*	**Defined contribution retirement benefit scheme** *RMB'000*	**Total** *RMB'000*
Executive directors				
He Chaobing	—	242	39	281
Yang Jianliang	—	157	—	157
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	39	690

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 RMB827,130 (2010: RMB868,056)) and as follows:

	2010			
	Fees *RMB'000*	Salaries and allowances *RMB'000*	Defined contribution retirement benefit scheme *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

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 RMB827,130 (2010: RMB868,056)) and as follows:

	2011			
	Salaries and allowances *RMB'000*	**Bonus** *RMB'000*	**Defined contribution retirement benefit scheme** *RMB'000*	**Total** *RMB'000*
Supervisors:				
Xue Guiyu	**60**	**—**	**13**	**73**
Liu Jianbo	**6**	**—**	**—**	**6**
	66	**—**	**13**	**79**

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

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 2011 included one directors (2010: two directors) whose remuneration is set out in note (a) above. Details of remuneration of the remaining four (2010: three) highest paid non-director employees whose remuneration were all below HK$1,000,000 (equivalent to RMB827,130 (2010: RMB868,056)) during the years ended 31 December 2011 and 2010 are as follows:

	2011	2010
	RMB'000	*RMB'000*
Salaries and allowances	**972**	690
Bonus	**355**	28
Defined contribution retirement benefit scheme	**98**	6
	1,425	724

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

	2011	2010
	RMB'000	*RMB'000*
At 1 January	**33,179**	32,708
Fair value (loss)/gain	**(198)**	471
At 31 December	**32,981**	33,179

The investment properties were revalued at 31 December 2011 and 2010 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 RMB1,655,000 (2010: RMB1,600,000) as rental income with outgoings of RMB259,000 (2010: RMB305,000) from its investment properties. The investment properties are held in the PRC under medium term leases.

The fair value of the Group's investment properties at 31 December 2011 and 2010 have been arrived at based on a valuation carried out by江蘇天仁資產評估事務所有限公司, an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued, on an open market value basis.

16. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

(a) Property, plant and equipment

The Group

	Outdoor advertising displays RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Production equipments RMB'000	Furniture, fixtures and equipments RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost							
As at 1 January 2010	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 31)	(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
Additions	7,765	1,407	645	746	722	757	12,042
Disposal of a subsidiary (Note 31)	—	—	—	—	(15)	—	(15)
Disposals	(7,256)	—	—	(6,048)	(752)	(1,515)	(15,571)
As at 31 December 2011	**201,915**	**22,514**	**4,719**	**139,976**	**20,623**	**9,617**	**399,364**
Accumulated Depreciations							
As at 1 January 2010	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 31)	(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
Charge for the year (Note 10)	18,213	537	768	3,457	1,447	1,182	25,604
Disposal of a subsidiary (Note 31)	—	—	—	—	(2)	—	(2)
Written back on disposals	(4,023)	—	—	(5,439)	(781)	(1,339)	(11,582)
As at 31 December 2011	**100,695**	**4,906**	**3,625**	**117,478**	**16,328**	**5,796**	**248,828**
Carrying amount							
As at 31 December 2011	**101,220**	**17,608**	**1,094**	**22,498**	**4,295**	**3,821**	**150,536**
As at 31 December 2010	114,901	16,738	1,217	25,818	5,004	4,422	168,100

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 2010	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
Additions	460	—	645	746	450	392	2,693
Disposals	(6,575)	—	—	(6,048)	(719)	(1,263)	(14,605)
As at 31 December 2011	**51,434**	**20,109**	**4,681**	**107,655**	**15,806**	**6,299**	**205,984**
Accumulated Depreciations							
As at 1 January 2010	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
Charge for the year	4,540	477	768	1,295	1,014	854	8,948
Written back on disposals	(3,895)	—	—	(5,439)	(749)	(1,152)	(11,235)
As at 31 December 2011	**35,180**	**4,770**	**3,581**	**98,692**	**12,962**	**3,813**	**158,998**
Carrying amount							
As at 31 December 2011	**16,254**	**15,339**	**1,100**	**8,963**	**2,844**	**2,486**	**46,986**
As at 31 December 2010	23,014	15,816	1,223	10,121	3,378	3,059	56,611

(i) Outdoor advertising displays are leased to earn revenue (Notes 6 and 33(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	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 & 2011	—	—

17. PREPAID LAND LEASE PAYMENTS

	The Group and the Company	
	2011 **RMB'000**	2010 *RMB'000*
Cost		
As at 1 January and 31 December	**2,836**	2,836
Accumulated amortisation		
As at 1 January	**493**	436
Charge for the year (Note 10)	**57**	57
As at 31 December	**550**	493
Carrying amount		
As at 31 December	**2,286**	2,343

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

18. GOODWILL

	2011	2010
	RMB'000	*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 2010 and 2011 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:

	2011	2010
	RMB'000	*RMB'000*
Name of attributable subsidiaries		
Nanjing Millennium Ankang International Media Co., Ltd.("Nanjing Ankang") (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 Ankang are:

	2011	2010
	%	%
Gross margin	**45 to 51**	49 to 53
Growth rate	**11 to 16**	11 to18
Discount rate	**7**	7

The gross margin is estimated by the directors of the Company based on the economic environment of the PRC advertising market over the main provinces of PRC such as Beijing, Nanjing and Shanghai.

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 2011 and 2010.

The directors of the Company 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 1 January 2010, 31 December 2010 and 2011	4,540	2,040
Accumulated amortisation:		
At 1 January 2010	1,732	703
Charge for the year (Note 10)	233	108
At 31 December 2010	1,965	811
Charge for the year (Note 10)	233	108
At 31 December 2011	2,198	919
Carrying amount:		
At 31 December 2011	**2,342**	**1,121**
At 31 December 2010	**2,575**	**1,229**

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	
	2011	2010
	RMB'000	*RMB'000*
Unlisted investments, at cost	**56,897**	58,060
Less: impairment loss	**(5,959)**	(6,279)
	50,938	51,781
Amounts due from subsidiaries	**69,422**	72,705
Amounts due to subsidiaries	**(6,368)**	(882)

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

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

Particulars and details of the Company's subsidiaries as at 31 December 2011 are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Legal form of entities	Registered capital (RMB'000)	Proportion of ownership interest: Group's effective interest	Directly	Indirectly	Principal activities
Beijing Dahe Shuanglong Advertising Co., Ltd. (Note 3) (北京大賀雙龍廣告有限公司)	PRC	Limited liability company	2,500	99.51%	95.1%	4.41%	Dissemination of outdoor advertisement
Hebei Dahe Media Co., Ltd. (Note 3) (河北大賀傳媒有限公司)	PRC	Limited liability company	9,200	67%	67%	—	Dissemination of outdoor advertisement
Nanjing Dahe Colour Printing Co., Ltd. (Note 3) (南京大賀彩色印刷有限公司)	PRC	Limited liability company	20,000	90%	90%	—	Design, printing and production of posters
Nanjing Dahe Media Training Centre (Note 3) (南京大賀傳媒培訓中心)	PRC	Limited liability company	100	100%	100%	—	Provision of training services

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

Name of subsidiaries	Place of incorporation/ establishment	Legal form of entities	Registered capital (RMB'000)	Proportion of ownership interest: Group's effective interest	Directly	Indirectly	Principal activities
Nanjing Millennium Ankang International Media Co., Ltd. (Note 1) (Note 3) (南京千禧安康國際傳媒廣告有限公司)	PRC	Limited liability company	1,000	51%	51%	—	Design, production and dissemination of advertisement on and franchising of the "Ankang Advertising Board"
Nanjing Ultralon Investment Management Co., Ltd. (Note 3) (南京歐特龍投資管理有限公司)	PRC	Limited liability company	5,000	90%	90%	—	Investment holding
Shanghai Dahe Yasi Advertising Co., Ltd. (Note 3) (上海大賀雅思廣告有限公司)	PRC	Limited liability company	500	100%	100%	—	Dissemination of outdoor advertisement
Sichuan Xintianjie Media Technology Development Co., Ltd. (Note 2) (Note 3) (四川新天傑傳媒科技發展有限責任公司)	PRC	Limited liability company	20,000	55%	55%	—	Dissemination of outdoor and media advertisement

Note 1: 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 ended 31 December 2010.

Note 2: The Group's interest in Sichuan Xintianjie Media Technology Development Co., Ltd.(四川新天傑傳媒科技發展有限公司) reduced from 60% to 55% during the year ended 31 December 2011.

Note 3: The English translation of those companies name is for reference only. The official names of these companies are in Chinese.

21. INTEREST IN A JOINTLY CONTROLLED ENTITY

The Group and the Company has 34% equity interest in a jointly controlled entity, 江蘇新浪互聯信息服務有限公司, which is accounted for by equity method. The following amounts have been recognised in the consolidated financial statements relating to this jointly controlled entity:

Name	Place and date of incorporation / establishment	Paid-in Capital (RMB'000)	Percentage of ownership interests Directly	Percentage of ownership interests Indirectly	Principal Activities
江蘇新浪互聯信息服務有限公司	PRC 16 December 2011	5,000	34%	—	Design, production, and dissemination of advertisement

	2011 *RMB'000*
Unlisted shares, at cost	1,700
Share of results	(132)
Share of net assets	1,568

	2011 RMB'000
Non-current assets	22
Current assets	5,314
Current liabilities	(722)
Net assets	4,614
Income	—
Expenses	386
Loss before income tax	386
Income tax	—
Loss after income tax	386
Share of results of a jointly controlled entity for the year	132

The amount due from a jointly controlled entity is unsecured, interest free and repayable on demand.

22. INVENTORIES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Raw materials	**5,907**	7,040	**2,741**	3,902
Work in progress	**51**	28	**—**	—
Finished goods	**1,220**	2,576	**572**	1,781
	7,178	9,644	**3,313**	5,683

23. TRADE AND NOTE RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**243,647**	168,421	**157,934**	108,622
Allowance for bad and doubtful debts	**(54,567)**	(38,035)	**(36,022)**	(26,423)
	189,080	130,386	**121,912**	82,199
Note receivables	**600**	1,270	**500**	1,100
	189,680	131,656	**122,412**	83,299

(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 aging analysis of trade and note receivables, net of allowance at the end of the reporting period:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**56,864**	40,578	**44,237**	31,282
Between 2 to 3 months	**32,731**	19,972	**19,843**	10,319
Between 4 to 6 months	**28,876**	29,373	**17,709**	21,054
Between 7 to 12 months	**24,518**	19,482	**10,224**	11,928
Between 1 to 2 years	**36,169**	19,491	**25,371**	7,809
Between 2 to 3 years	**10,522**	2,760	**5,028**	907
	189,680	131,656	**122,412**	83,299

23. TRADE AND NOTE RECEIVABLES (continued)

(b) 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 end of reporting period. 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.

(c) 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	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**38,035**	22,508	**26,423**	14,910
Written off	**(164)**	(39)	**(65)**	(16)
Impairment loss recognised (Note 10)	**16,696**	15,598	**9,664**	11,529
Disposal of a subsidiary	**—**	(32)	**—**	—
At 31 December	**54,567**	38,035	**36,022**	26,423

The Group's and the Company's trade receivables of RMB54,567,000 and RMB36,022,000 (2010: RMB38,035,000 and RMB26,423,000) were individually determined to be impaired. The individually impaired trade receivables related to customers that were in financial difficulties or had a prolonged delay in settlement, and management assessed that only a portion of the receivables is expected to be recovered. Consequently, an accumulated allowance for doubtful debts of RMB54,567,000 and RMB36,022,000 (2010: RMB38,035,000 and RMB26,423,000) is made as at 31 December 2011. The Group does not hold any collateral over these balances.

(d) 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.

23. TRADE AND NOTE RECEIVABLES (continued)

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

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Neither past due nor impaired	**94,580**	83,195
Less than 3 months	**27,047**	16,789
Between 4 to 6 months	**28,683**	5,199
Between 7 to 12 months	**14,353**	16,836
Between 1 to 2 years	**19,985**	7,225
Between 2 to 3 years	**4,432**	1,142
	189,080	130,386

Based on past experience, the directors of the Company 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.

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other receivables	**6,834**	5,096	**1,562**	2,400
Allowance for bad and doubtful debts	**(1,943)**	(1,126)	**(1,557)**	(786)
	4,891	3,970	**5**	1,614
Deposits	**940**	793	**215**	461
Prepayments	**40,133**	45,920	**15,294**	23,872
	45,964	50,683	**15,514**	25,947

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

The Group has made full allowance for doubtful debts for other receivables that are past due beyond 3 years because historical experience is such that these receivables are generally not recoverable. Allowance on other receivables between two to three years and one year to two years are made based on estimated irrecoverable amounts by reference to past default experience and objective evidence of impairment determined by the difference between the carrying amount and the present value of the estimate future cash flow discounted at the original effective interest rate. In determining the recoverability of the other receivables, the Group monitors any change in the credit quality of the other receivables since the credit was granted and up to the end of reporting period. 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	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**1,126**	1,999	**786**	680
Written off	**(83)**	(1,338)	**(24)**	(250)
Impairment loss recognised	**900**	470	**795**	356
Disposal of a subsidiary	**—**	(5)	**—**	—
At 31 December	**1,943**	1,126	**1,557**	786

Included in the above impairment loss of the Group and the Company are provision for individually impaired other receivables of approximately RMB1,943,000 and RMB1,557,000 (2010: RMB1,126,000 and RMB786,000). The individually impaired other receivables relate to other debtors that were in financial difficulties or in default of payments. The Group does not hold any collateral or other credit enhancements over these balances.

The carrying amounts of the remaining other receivables that were neither past due nor impaired relate to other debtors for whom there was no recent history of default.

As at 31 December 2011, the Group and the Company did not have any prepayments expected to be utilised after one year.

25. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

As at 31 December 2011, RMB34,000,000 (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 (Note 27).

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**38,327**	39,360	**26,647**	31,706
Other payables and accruals	**5,160**	4,412	**2,579**	2,151
Deposits received	**2,730**	1,788	**1,397**	1,700
	7,890	6,200	**3,976**	3,851
	46,217	45,560	**30,623**	35,557

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**17,163**	14,948	**11,456**	10,222
Between 2 to 3 months	**5,978**	7,796	**3,442**	6,986
Between 4 to 6 months	**4,385**	7,446	**3,844**	6,711
Between 7 to 12 months	**2,411**	2,851	**1,523**	2,602
Between 1 to 2 years	**2,994**	1,866	**1,793**	1,150
Over 2 years	**5,396**	4,453	**4,589**	4,035
	38,327	39,360	**26,647**	31,706

27. BANK BORROWINGS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans, unsecured	**224,000**	182,000	**207,000**	165,000
Note payables	**68,000**	1,358	**68,000**	1,358
	292,000	183,358	**275,000**	166,358

27. BANK BORROWINGS (continued)

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
On demand or within one year	**292,000**	183,358	**275,000**	166,358
More than one year but not exceeding two years	**—**	—	**—**	—
	292,000	183,358	**275,000**	166,358
Amount due within one year included in current liabilities	**292,000**	183,358	**275,000**	166,358
Amount due after one year included in non-current liability	**—**	—	**—**	—
	292,000	183,358	**275,000**	166,358

All bank borrowings are denominated in RMB.

Included in the Group's bank loans, bank loans of RMB134,000,000 (2010: RMB85,000,000) were arranged at fixed interest rate, with weighted average effective interest rate of 7.41% (2010: 5.58%). The remaining bank loans of RMB90,000,000 (2010: RMB97,000,000) were arranged at floating interest rate, with weighted average effective interest rate of 7.43% (2010: 5.89%).

Included in the Company's bank loans, bank loans of RMB117,000,000 (2010: RMB85,000,000) were arranged at fixed interest rate, with weighted average effective interest rate of 7.29% (2010: 5.58%). The remaining bank loans of RMB90,000,000 (2010: RMB80,000,000) were arranged at floating interest rate, with weighted average effective interest rate of 7.43% (2010: 5.88%).

As at 31 December 2011, the Group's bank loans of RMB177,000,000 (2010: RMB172,000,000) and the Company's bank loans of RMB170,000,000 (2010: RMB165,000,000) are guaranteed by Mr. He Chaobing, a shareholder and director of the Company, and corporate guarantees from the holding company and a fellow subsidiary (Note 32(f)).

Note payables outstanding as at 31 December 2011 were issued with terms of 6 months and are secured by charges over the Group's bank deposits of RMB34,000,000 (Note 25).

28. 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 2010 and 2011	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 Renminbi ("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 2011, 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 19 May 2011 (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 2012 annual general meeting of the Company; or

(ii) the expiration of the 12-month period following the passing of the resolution (i.e. 19 May 2011); or

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

29. RESERVES

	Share premium and capital reserve *RMB'000* *(note (i))*	Statutory surplus reserve *RMB'000* *(note (ii))*	Retained profits *RMB'000*	Total *RMB'000*
The Company				
As at 1 January 2010	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
Profit and total comprehensive income for the year	—	—	5,410	5,410
As at 31 December 2011	**97,252**	**21,087**	**99,317**	**217,656**

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 at a price in excess of 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.

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

Available-for-sale financial assets

	The Group		The Company	
	2011	2010	**2011**	2010
	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**	52	**—**	—
	19,974	19,974	**20,394**	20,394
Less: impairment loss	**(19,922)**	(19,922)	**(20,394)**	(20,394)
	52	52	**—**	—

Amount due from a former subsidiary

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amount due from a former subsidiary	**937**	937	**177**	177

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

Notes:

(i) Chongqing Dahe Basu Media Co., Ltd. ("Dahe Basu"), a former 60%-owned subsidiary of the Company up to 14 May 2007, had applied liquidation to a PRC court as a result of the dispute between the Company and the 40% equity owner of Dahe Basu (the "Minority Owner") in the operations of Dahe Basu. Pursuant to a PRC court order dated 15 May 2007, a liquidation team (comprising representatives of the Company, the Minority Owner and a PRC liquidator) was appointed and the liquidation team is responsible for reporting the results of liquidation of Dahe Basu to the PRC court and is authorised by the PRC court to, among others, retain all books and records of Dahe Basu, prepare its financial statements, and manage and realise the assets of Dahe Basu for liquidation purpose. Accordingly, the Group de-consolidated Dahe Basu from the Group's consolidated financial statements since 1 January 2007, and accounted for the Group's and the Company's equity interest in Dahe Basu as available-for-sale financial asset and had recorded the amount due from Dahe Basu as amount due from a former subsidiary pursuant to the above non-consolidation of Dahe Basu.

As at 31 December 2011 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 ended 31 December 2010 (Note 31).

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

31. DISPOSAL OF SUBSIDIARIES

In January 2011, the Group entered into a sale agreement to dispose its 30% equity interest in 南京聽視界數字傳媒有限公司 ("南京聽視界") to an independent third party for a cash consideration of RMB300,000. In August 2011, the Group further disposed remaining 70% equity interest in 南京聽視界 for a cash consideration of RMB460,000. 南京聽視界 is engaged in dissemination of outdoor advertisement. The disposal was completed on 3 August 2011, the date on which the control of 南京聽視界 was passed to the acquirer. Upon the disposal, the assets, liabilities and results of 南京聽視界 were deconsolidated.

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 was 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.

31. DISPOSAL OF SUBSIDIARIES (continued)

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

	Note	2011 *RMB'000*	2010 *RMB'000*
Property, plant and equipment		**13**	1,295
Trade receivables		**—**	1,814
Inventories		**1,137**	—
Other receivables		**206**	624
Cash and cash equivalents		**—**	384
Trade payables		**—**	(637)
Other payables		**(84)**	(2,622)
Deferred advertising income		**—**	(277)
Non-controlling interests		**(382)**	(7)
		890	574
Fair value of remaining 9% equity interest in Hangzhou Ultralon classified as available-for-sale financial assets		**—**	(52)
Other reserves realised		**363**	—
(Loss)/gain on disposal of subsidiaries	8	**(793)**	5
Total consideration		**460**	527
Satisfied by:			
Cash		**460**	527
Net cash inflow arising on disposals:			
Cash consideration		**460**	527
Cash and bank balances disposed of		**—**	(384)
		460	143

32. RELATED PARTIES TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note.

During the year, for the purpose of this report, the directors are of the view that the following companies are related parties of the Group:

Name of related parties	**Relationship**
Dahe Investment	Holding company of the Company
江蘇新浪互聯信息服務有限公司	A jointly-controlled entity of the Company
南京會購信息科技有限公司 (previously known as 南京酷鼠投資管理有限公司)	A related company of the Company
南京大賀威漢廣告傳播有限公司	A related company of the Company
河北大龍傳媒有限公司	A related company of the Company
杭州歐特隆廣告有限公司 ("Hangzhou Ultralon Advertising Co., Ltd.")	A related company of the Company
南京大賀威力廣告有限公司	A fellow subsidiary of the Company under Dahe Investment
南京大賀裝飾工程有限公司 ("Dahe Decoration")	A fellow subsidiary of the Company under Dahe Investment

32. RELATED PARTIES TRANSACTIONS (continued)

(a) Saved as disclosed in other notes to the financial statements, 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	2011 RMB'000	2010 RMB'000
Holding company			
Guarantee fee received*	(i)	**1,200**	520
Fellow subsidiaries			
Sales*	(ii)	**3,022**	1,539
Rental income received	(iii)	**240**	240
Construction of advertising displays paid*	(iv)	**1,644**	1,688
Purchase	(v)	**243**	—
Related companies			
Sales	(ii)	**3,053**	98

* These 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 (2010: 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.

(v) Purchases were made to fellow subsidiaries in respect of dissemination of outdoor advertisement and posters production services provided at market price.

32. RELATED PARTIES TRANSACTIONS (continued)

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

	2011 RMB'000	2010 RMB'000
Short term benefits	**2,115**	1,408

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

		The Group		The Company	
	Notes	**2011** *RMB'000*	2010 *RMB'000*	**2011** *RMB'000*	2010 *RMB'000*
Deposit paid	(i)	**30,000**	20,000	**30,000**	20,000
Amount due from/(to) holding company	(ii)	**(11,956)**	(12,644)	**1,210**	520
		18,044	7,356	**31,210**	20,520

(i) Deposit paid to holding company represents deposits paid for acquiring the 49% equity interest in Nanjing 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:

		The Group		The Company	
	Notes	**2011** *RMB'000*	2010 *RMB'000*	**2011** *RMB'000*	2010 *RMB'000*
Deposit paid	(i)	**52,198**	35,790	**44,420**	27,089
Less: impairment loss		**(2,000)**	—	**(2,000)**	—
		50,198	35,790	**42,420**	27,089
Amount due from a fellow subsidiary	(ii)	**3,000**	20,000	**3,000**	20,000
		53,198	55,790	**45,420**	47,089

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

(ii) Amount due from a fellow subsidiary is unsecured, interest free and repayable on demand.

32. RELATED PARTIES TRANSACTIONS (continued)

(e) Amounts due from related companies are unsecured, interest free and repayable on demand. The carrying amount of the amounts due from related companies represents the respective maximum amounts outstanding during 2011 and 2010.

(f) As at 31 December 2011, the Group's bank loans of RMB177,000,000 (2010: RMB172,000,000) and the Company's bank loans of RMB170,000,000 (2010: RMB165,000,000) were guaranteed by Mr. He Chaobing, a shareholder and director of the Company, and corporate guarantees from the holding company and a fellow subsidiary (Note 27). The Group has not recognised any deferred expenses in respect of the guarantee by Mr. He Chaobing and corporate guarantee from the holding as its fair value cannot be reliably measured and its transaction price is nil.

(g) As at 31 December 2011, bank borrowings of RMB30,000,000 of holding company was guaranteed by the Group and the Company (2010: RMB10,000,000).

33. OPERATING LEASE ARRANGEMENTS

(a) The Group as a lessee

	2011		2010	
	Land and buildings	**Outdoor Advertising displays**	Land and buildings	Outdoor Advertising displays
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Rental expenses under operating leases recognised as expense in the year (included in cost of service - Note 10)	**5,076**	**87,668**	5,795	94,863

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

	2011		2010	
	Land and buildings	**Outdoor advertising displays**	Land and buildings	Outdoor advertising displays
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within one year	**4,047**	**34,446**	6,700	24,233
In the second to fifth years inclusive	**8,562**	**18,470**	11,310	20,481
After five years	**2,400**	**7,178**	2,440	174,147
	15,009	**60,094**	20,450	218,861

33. 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

	2011		2010	
	Investment properties	**Outdoor advertising displays**	Investment properties	Outdoor advertising displays
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Rental income under operating leases (Notes 6 & 8)	**1,655**	**222,150**	1,600	210,902

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

	2011		2010	
	Investment properties	**Outdoor advertising displays**	Investment properties	Outdoor advertising displays
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within one year	**1,790**	**84,507**	1,360	47,880
In the second to fifth years inclusive	**6,440**	**9,697**	—	13,910
After five years	**7,298**	**37**	—	13
	15,528	**94,241**	1,360	61,803

The minimum lease receivables on investment properties represented rental receivables by the Group on leasing of part of its investment properties to a fellow subsidiary as disclosed in Note 32(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.

34. CAPITAL COMMITMENTS

As at 31 December 2011, the Group had capital commitment of RMB17,967,000 (2010: RMB18,687,000) contracted but not provided for in respect of construction of outdoor advertising displays from a fellow subsidiary, Nanjing Dahe Decoration Co., Ltd..

35. FINANCIAL GUARANTEE LIABILITIES

At 31 December 2011, the Group and the Company has outstanding guarantee of RMB30,000,000 (2010: RMB10,000,000) provided to the holding company for its bank borrowings (Note 32(g)). The Company also has outstanding guarantee of RMB10,000,000 provided to a subsidiary of the Company for its bank loans (2010: RMB10,000,000).

As at the end of reporting period, the directors do not consider it probable that a claim will be made against the Group and the Company under these guarantees. The maximum liability of the Group and the Company at the end of reporting period under these guarantees are the amount of the facilities drawn down by the holding company and a subsidiary of the Company that are covered by these guarantees, being RMB30,000,000 and RMB10,000,000, respectively.

The Group has recognised guaranteed fee income in respect of the issuance of financial guarantee for the holding company (Note 32(a)(i)).

36. DEFINED CONTRIBUTION 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 26% to 32% (2010: 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.

37. 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 27, bank balances and cash and pledged bank deposits in Note 25 and equity attributable to owners of the Company, comprising share capital, reserves and retained profits as disclosed in Notes 28 and 29 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. During the year, the Group's strategy, was to maintain the net debt-to-adjusted capital ratio at the lower end of the range from 15% to 25% (2010: 8% to 20%). In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

37. CAPITAL RISK MANAGEMENT (continued)

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

		The Group	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
Bank borrowings	27	**292,000**	183,358
Bank balances and cash and pledged bank deposits	25	**(207,335)**	(119,534)
Net debt		**84,665**	63,824
Equity		**365,731**	344,541
Net debt to equity ratio		**23%**	19%

38. 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 mainly influenced 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 certain concentration of credit risk as 17% (2010: 13%) and 36% (2010: 20%) of the total trade and note receivables and other receivables was due from the Group's largest customer and the five largest customers respectively.

38. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

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 23 and 24 to the 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 and the Company as set out in Note 35, 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 35 to the financial statements.

(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** *RMB'000*	**Total contractual undiscounted cash flow** *RMB'000*	**Within 1 year or on demand** *RMB'000*	**More than 1 year but less than 2 years** *RMB'000*
2011				
Trade payables	**38,327**	**38,327**	**38,327**	**—**
Other payables and accruals	**5,160**	**5,160**	**5,160**	**—**
Bank borrowings	**292,000**	**301,304**	**301,304**	**—**
	335,487	**344,791**	**344,791**	**—**
Financial guarantees issued				
Maximum amount guaranteed	**—**	**30,000**	**30,000**	**—**

38. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

The Group	Carrying amount *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*
2010				
Trade payables	39,360	39,360	39,360	—
Other payables and accruals	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 Company	**Carrying amount** ***RMB'000***	**Total contractual undiscounted cash flow** ***RMB'000***	**Within 1 year or on demand** ***RMB'000***
2011			
Trade payables	**26,647**	**26,647**	**26,647**
Other payables and accruals	**2,579**	**2,579**	**2,579**
Bank borrowings	**275,000**	**283,142**	**283,142**
	304,226	**312,368**	**312,368**
Financial guarantees issued			
Maximum amount guaranteed	**—**	**40,000**	**40,000**

38. 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 accruals	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

(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 2011, the Group's fair value interest-rate risk mainly arises from bank borrowings as disclosed in Note 27 to the financial statements. Bank borrowings which were issued at fixed rates 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 2011, 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 RMB383,000 (2010: RMB404,000).

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 the reporting period was outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

38. FINANCIAL RISK MANAGEMENT (continued)

(d) Currency risk

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

(e) Price risk

The Group is not exposed to any equity price risk or commodity price risk. The directors of the Company manage this exposure by forming a team to closely monitor the price fluctuation and will consider hedging the risk exposure should the need arise.

39. 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	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets:				
Loans and receivables (including bank balances and cash and pledged bank deposits)	**410,715**	277,380	**409,266**	286,956
Available-for-sale financial assets	**52**	52	**—**	—
	410,767	277,432	**409,266**	286,956
Financial liabilities:				
Financial liabilities measured at amortised cost	**347,443**	239,774	**310,594**	201,097

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.

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 March 2012.

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,				
	2011	2010	2009	2008	2007
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
	(000)	*(000)*	*(000)*	*(000)*	*(000)*
Turnover	**429,741**	413,225	357,755	361,002	324,294
Cost of sales	**(281,959)**	(284,208)	(246,669)	(245,364)	(219,082)
Gross profit	**147,782**	129,017	111,086	115,638	105,212
Other revenue and net gains and losses	**2,580**	6,576	10,288	(14,152)	3,690
Distribution costs	**(40,560)**	(38,168)	(42,446)	(37,266)	(30,450)
Administrative expenses	**(61,808)**	(54,337)	(47,395)	(42,737)	(40,057)
Share of results of a jointly controlled entity	**(132)**	—	—	—	—
Finance costs	**(18,680)**	(11,995)	(12,588)	(14,569)	(10,958)
Profit before income tax	**29,182**	31,093	18,945	6,914	27,437
Income tax expense	**(8,134)**	(8,389)	(6,910)	(2,611)	(6,634)
Profit for the year	**21,048**	22,704	12,035	4,303	20,803
Attributable to:					
Owners of the Company	**13,561**	15,828	7,947	1,745	20,608
Non-controlling interests	**7,487**	6,876	4,088	2,558	195
	21,048	22,704	12,035	4,303	20,803

ASSETS AND LIABILITIES

	31st December,				
	2011	2010	2009	2008	2007
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
	(000)	*(000)*	*(000)*	*(000)*	*(000)*
Non-current assets	**260,622**	262,698	268,732	307,348	290,892
Current assets	**488,966**	353,737	346,582	355,902	300,073
Current liabilities	**(383,857)**	(271,894)	(289,470)	(352,917)	(280,881)
Net current assets	**105,109**	81,843	57,112	2,985	19,192
Non-current liabilities	**—**	—	(4,000)	—	—
Net assets	**365,731**	344,541	321,844	310,333	310,084

Note:

1. The consolidated financial information as at 31st December, 2009, 2008 and 2007 are extracted from the Company's published annual reports. The consolidated financial information of the Group as at 31st December, 2011 and 2010 are as set out on pages 40 to 42 of the annual report.