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)

2012
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.

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

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 (resigned on 7 August 2012)
LU Yin (appointed on 7 August 2012)

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
LU Yin

COMPLIANCE OFFICER
HE Chaobing

REGISTERED OFFICE
Jianye District
No. 18 Jialingjiang East Street
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: zhengq@dahe-ad.com

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 2012.

BUSINESS OVERVIEW AND 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 2012, the Group's turnover amounted to approximately RMB454.80 million (2011: RMB429.74 million).

The increase in turnover was attributable to the rapid development of China's economy, the growth in advertising budgets of our advertising customers, the introduction of relevant supporting policies and the increase in market demand. The emerging media in China developed rapidly, and the future of the emerging media was promising due to higher acceptance by the public, which in turn boosted the increase of the Group's turnover and profitability during the period.

During the year, profits attributable to the shareholders decreased by 35% to RMB8.86 million (2011: RMB13.56 million). The basic earnings per share was approximately RMB1.1 cent (2011: RMB1.6 cent).

During the year, turnover derived from outdoor media dissemination, terminal dissemination and media production amounted to RMB299.22 million (2011: RMB222.15 million), RMB83.05 million (2011: RMB148.56 million) and RMB72.53 million (2011: RMB59.03 million), accounting for 66%, 18% and 16% 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 advertising 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, Shenyang and Hefei, and providing outdoor media dissemination resources of approximately 35,000 square meters. As the first brand name of the noble community media in China, this project brought a turnover of approximately RMB95.66 million and a profit of RMB7.09 million to the Group, representing a decrease of 3% and 22% over the same period last year respectively.

During the year, the website of "Sina Jiangsu" jointly established by the Group and Sina was officially launched. It provided localised news, leisure, entertainment and life-style information to users in Jiangsu with the best services and products of web2.0. The establishment of Sina Jiangsu marked the Group's commencement of Internet operation and enhanced its capacity in Internet dissemination. The Group's marketing and dissemination industrial chain was optimised through the integration of its businesses such as brand planning, media release, production engineering, public relations, the Internet and new media. These new businesses are expected to lay a solid foundation for the Group's future development.

The Group officially launched two large outdoor advertising LED screens located in Xinjiekou, the core business circle of Nanjing. Located at Golden Eagle International Shopping Centre (金鷹國際購物中心) and Golden Eagle Tiandi International Shopping Centre (金鷹天地國際購物中心) and with an display area of nearly 1,000 square metres, these advertising screens provide more dynamic methods for clients to display their advertisements, which shows that Dahe has entered its era of electronic advertising.

As one of the largest domestic 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 had received various honours and awards, including "Class One Advertising Enterprise in China (中國一級廣告企業)". In addition, Dahe was also elected as "Top 10 Advertising Operating Units (十強廣告經營單位)" and "Top 10 Best Advertising Operating Units (十佳廣告經營單位)" for 2011 in Nanjing. The Group won the "2011 China Advertising Effectiveness Case Award (2011中國廣告實效案例大獎)" at the "2012 China Advertising and Brand Conference and China Advertising Annual Awarding Ceremony (2012中國廣告與品牌大會暨中國廣告年度大獎)" for the "Guiyi Strawberry Full Media Marketing Case (圭易草莓全媒體營銷案例)" implemented last year. Furthermore, the case "Full Media Marketing – Provides Supports to Farmers in Selling "Guiyi Strawberry" (全媒體營銷 幫助農民銷售「圭易草莓」)" submitted by Dahe Group won the "Bronze Award of ROI Festival Awards (金投賞銅獎)" out of nearly 3,000 entries from more than 400 companies.

OUTLOOK

In view of China's steady economic growth, continuous increase in per capita income and purchasing power and increasing demands for advertising from enterprises, the Group is optimistic to the future of the advertising industry in China. As the "12th Five Year Plan" of the PRC has accorded the cultural industries the status of the pillar industries in the national economy, the cultural industries are developing prosperously. Furthermore, in the Plan for Redoubling Cultural Industries during the "12th Five-Year Plan" Period introduced by the Ministry of Culture at the beginning of the year, it is proposed that the added value of the cultural industries will increase at a rate of 20% per annum and the promotion of cultural consumption will be an important component for expanding the domestic demand.

Meanwhile, the new internet media is undergoing an unprecedented transformation, which will drive the development of the advertising industry. According to "The Connected World (《網絡連接世界》)" report released by the Boston Consulting Group, the internet business accounted for 5.5% of China's overall GDP. The number of PRC enterprises with a high usage of internet will increased by 25% within three years, and business expansion will be the main driver for the rapid development of e-commerce sales for enterprises. New marketing channels such as micro-blogging and smartphones will speed up the restructuring of the industry and expand the business scope of outdoor media in addition to traditional business. Adhering to the objective of inheriting the past and ushering in the future, the Group will continue to make efforts in maintaining its traditional advantages and actively developing more media marketing channels.

The Group will also accelerate its adjustment and expand into more business areas. During the year, two large outdoor advertising LED screens, with a display area of nearly 1,000 square metres, were set up in Nanjing's core business circle, which are expected to contribute to the Group's revenue from advertising and to pave the way for the Group's development of dynamic outdoor advertising. The Group will continue to develop innovative business, develop internet business through "Sina Jiangsu" and strive to create a leading internet platform. Meanwhile, 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. The Group will continue to grasp the opportunities by leveraging our business advantages to expand into second-tier and third-tier cities in the PRC with an aim to increase market shares, and will help establish a solid foundation for our development in 2013.

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, 26 March 2013

For the year ended 31 December 2012

(Expressed in Renminbi)

	2012 *RMB'000*	2011 *RMB'000*
Revenue		
Turnover	**454,801**	429,741
Profitability		
Profit from operations (Note)	**47,434**	47,862
Profit attributable to shareholders	**8,860**	13,561
Net Worth		
Equity attributable to shareholders	**335,688**	326,828
Per share		
Basic earnings per share (RMB)	**1.1 cents**	1.6 cents
Net assets attributable to owners of the Company per share (RMB)	**40.44 cents**	39.38 cents

FINANCIAL CALENDAR

Results for the year	Announcement on 26 March 2013
Annual report	Dispatched to shareholders in late March 2013

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

BUSINESS REVIEW

For the year ended 31 December 2012, the Group's turnover amounted to approximately RMB454.80 million (2011: RMB429.74 million), representing an increase of approximately 6% over the same period last year, global economy environment was still unclear in this year, according to the preliminary audit of National Bureau of Statics, the growth of 2012 national GNP amounted approximately 7.8%, which slightly deceased when compare with 2011, as a result, the spending of each industries put into of advertisements toward relatively prudent, and thus the revenue remained stable and recorded a slightly growth. During the year, profits attributable to owners of the Company amounted to approximately RMB8.86 million (2011: RMB13.56 million), representing a decrease of approximately 35% over the same period last year. The basic earnings per share decreased by 31% to RMB1.1 cents (2011: RMB1.6 cents).

Media Dissemination Business

For the year ended 31 December 2012, the Group's turnover from media dissemination business was approximately RMB299.22 million, representing an increase of approximately 35% over the same period last year and accounting for 66% of the Group's total turnover. Currently, the Group has outdoor media resources of approximately 200,000 square metres, including billboards in expressways, billboards on building roofs in urban areas, landscape boards along roads and large LED screens. Its business coverage has extended 64 major cities across China. During the period, the average launching rate of the Group's outdoor media remained at approximately 70%, with major customers from various industries such as fast-moving consumer goods, media, real estates, finance and tourism.

"Enkon Express Media", the community media initiated by the Group, continued to be well received and supported by customers. During the period, it contributed to the Group a turnover and profit of approximately RMB95.66 million and RMB7.09 million respectively, representing a decrease of 3% in income and a decrease of approximately 22% in profit respectively over the same period last year due to an increase in operating expenses and a decrease in income. Currently, approximately 8,000 advertising boards targeting 9 million households with medium and high income in nearly 5,500 communities have been set up. The scope of coverage has been extended to cities including Beijing, Shanghai, Guangzhou, Nanjing, Shenzhen, Chengdu, Hangzhou, Shenyang and Hefei, and contributed approximately 35,000 square metres of outdoor media dissemination resources to the Group.

Meanwhile, "Enkon Express Media" continued to focus on expansion into sectors including finance, tourism, communication and fast-moving consumer goods. It has entered into cooperation agreements with Industrial and Commercial Bank of China, Suning Electric, Xiwang Foodstuffs (西王食品), Sanyuan Foods, Wuzhen Travel (烏鎮旅遊), GOME, Anhui Satellite TV, Jiangsu Satellite TV and Shandong Satellite TV. It has also formed partnership with various leading domestic and international brands such as China Mobile, Carrefour, Wal-Mart, China Telecom, New City Real Estate (新城市置業), China Minsheng Bank, China UnionPay, JDB China, and Inner Mongolia Mengniu Dairy, Shenzhen Media Group, Tangshan Travel (唐山旅遊) and Shandong Hengan Paper (山東恒安紙業).

In addition, the upgraded version of "Enkon Express Media 3.0" combines brand promotion and community sales, including high-definition lamphouse, wireless e-magazines, dynamic outdoor and community activities and social media marketing. An innovative dissemination platform was established to cater to diversified customer business and provide professional "advertising + marketing" services to incorporate functions such as media dissemination and commonweal community information dissemination into daily life. At the "China Electronic Commerce Brand Conference and the First Website Benchmark Award" (中國電商品牌大會暨首屆網標獎), the case of "Wang Laoji Community Media Marketing" won the "Case Study Award (經典案例大獎)". During the period, "Outdoor Media" has commenced cooperation with well-known enterprises such as Eastern Metropolis Newspaper (東方都市報業), Xuzhou Coal Mining Group, Jiangshu Guangsha Real Estate Development (江蘇廣廈房地產開發), Jiangsu Sujiu (江蘇蘇酒), Wuzhen Travel, China Life, Fengnaibao (蜂乃寶) and Bank of Communications with a contract value of over RMB12,000,000.

During the year, Dahe Group officially launched two large outdoor advertising LED screens in Xinjiekou, the core business circle of Nanjing. Located at Golden Eagle International Shopping Centre (金鷹國際購物中心) and Golden Eagle Tiandi International Shopping Centre (金鷹天地國際購物中心) and with a display area of nearly 1,000 square metres, these advertising screens provide more dynamic methods for clients to display their advertisements. During the period, it has entered into partnership with famous enterprises such as Macau Tourism, Wuzhen Travel (烏鎮), Bank of Jiangsu, China Merchants Bank, Nanjing Securities, Bank of Nanjing, Wuliangye (五粮液) and Suning Electric (蘇寧), which shows that Dahe has entered its era of digital advertising.

Terminal Dissemination Service and Media Production Business

The Group continued to further its terminal dissemination service business during the period, and recorded a turnover of approximately RMB83.05 million, representing a decrease of approximately 44% over the same period last year and accounting for approximately 18% of the Group's total turnover. "Terminal Dissemination" continued to serve well-known brands such as Nike, JDB, Wal-Mart, CR Vanguard, Li Ning, KFC and LEE. In particular, the contract value of projects such as the JDB project, the Wal-Mart project, the KFC project and the Nike project amounted to nearly RMB30 million. Currently, the Group's 360° Business Terminal Manager serves a number of renowned domestic and international brands, including Nike, Midea, Master Kong, Puma, B&Q, JDB and Wal-Mart.

During the year, the turnover of the Group's media production business was approximately RMB72.53 million, representing an increase of approximately 23% over the same period last year and accounting for approximately 16% of the Group's total turnover.

New Business

During the period, the website of "Sina Jiangsu" jointly established by the Group and Sina was officially launched. It provided localised news, leisure, entertainment and life-style information to users in Jiangsu with the best services and products of web2.0. The establishment of Sina Jiangsu marked the Group's commencement of Internet operation and enhanced its capacity in Internet dissemination. The Group's marketing and dissemination industrial chain was optimised through the integration of its businesses such as brand planning, media release, production engineering, public relations, the Internet and new media. These new businesses are expected to lay a solid foundation for the Group's future development.

Business Development

During the year, the Group continued to put its effort in developing "Enkon Express Media", and successfully expanded into the high-end market. The Group entered into cooperation agreements with a total contract value of over RMB80 million with ICBC, Suning Electric, Xiwang Foodstuffs, Sanyuan Foods, Wuzhen Travel, GOME, Anhui Satellite TV and Jiangsu Satellite TV. It also entered into partnership with various leading domestic and international brands such as China Mobile, Mazda, NVC Lighting, Carrefour, Wal-Mart, China Telecom, New City Real Estate, China Minsheng Bank and China Union Pay. The Group recorded considerable gains from the above cooperation and further consolidated its advantages and its leading position in the market.

In June 2012, the website of "Sina Jiangsu" jointly established by Dahe Group and Sina was duly launched with a ceremony which was entitled "Celebration for Microblog @ Sina Jiangsu (微韻江蘇,博@你我)" and held at Nanjing Jinling Conference Center.

In September 2012, Dahe Group officially launched two large outdoor advertising LED screens located in Xinjiekou, the core business circle of Nanjing. Located at Golden Eagle International Shopping Centre (金鷹國際購物中心) and Golden Eagle Tiandi International Shopping Centre (金鷹天地國際購物中心) and with an display area of nearly 1,000 square metres, these advertising screens provide more dynamic methods for clients to display their advertisements, which shows that Dahe has entered its era of digital advertising.

AWARDS AND HONOURS

Dahe Group

During the year, the Group received a number of honours and awards, including "Class One Advertising Enterprise in China" (中國一級廣告企業) issued by China Advertising Association, which is the highest award honour in the local media and advertising industry. Moreover, Dahe was also ranked among "Top 10 Advertising Operating Units (十強廣告經營單位)" and "Top 10 Best Advertising Operating Units (十佳廣告經營單位)" for 2011 in Nanjing. At the "Fifth Session of International Advertising Summit in 21st Century (第五屆21 世紀廣告國際峰會)", Dahe Media won "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)".

During the year, the Group won the "2011 China Advertising Effectiveness Case Award (2011中國廣告實效案例大獎)" at the "2012 China Advertising and Brand Conference and China Advertising Annual Awarding Ceremony (2012 中國廣告與品牌大會暨中國廣告年度大獎)" for the "Guiyi Strawberry All-media Marketing Case (圭易草莓全媒體營銷案例)".

The Group was also elected as president of Nanjing Modern Services Industry Federation (南京現代服務業聯合會副會長) and was elected the "Outstanding Service Team" after undertaking the project of "Shenzhen Universiade". The case of "2011 Wang Laoji Community Media Marketing" of "Enkon Express Media 3.0" won the "Case Study Award" (經典案例大獎) at the "China Electronic Commerce Brand Conference and the First Website Benchmark Award (中國電商品牌大會暨首屆網標獎)".

During the year, the Purple Mountain Summit for Enterprises from Both Sides of the Taiwan Strait opened in Nanjing, with a subject of "Cooperation Between Enterprises from Both Sides of the Taiwan Strait amid Global Economic Adjustment–from ECFA to Common Market for Both Sides" (世界經濟調整中的兩岸合作 – 從ECFA到兩岸共同市場). Dahe Group has supported the summit by assisting the Taiwan Affairs Office of the State Council and its provincial and municipal branches in holding the summit. By sticking to the principle of the summit to reinforce the cooperation between Nanjing and Taiwan, thoughtful planning, efficient implementation and innovative ideas, Dahe Group has won great recognition from the organization committee of the summit.

During the year, Dahe Group was awarded the honour of an "Outstanding Partner for the 5th ROI Festival" (第五屆金投賞傑出年會合作夥伴) at the 5 ROI Festival annual meeting in recognition of its professionalism and influence in marketing and dissemination areas. Furthermore, the case "All-media Marketing in Helping Farmers Sell 'Guiyi Strawberries'" (全媒體營銷幫助農民銷售"圭易草莓") submitted by Dahe Group was selected out of nearly three thousand cases of around 400 companies submitted to win the ROI Festival, Bronze prize.

Chairman

During the year, Mr. He Chaobing, our Chairman, led the Group to reach a new height again and his leadership was well-recognised by the industry. At the "Sixth Brand Forum for Employers in Jiangsu, China (第六屆中國江蘇僱主品牌論壇)", which was organised by the International Public Management Association for Human Resources (國際人力資源管理協會) and the Human Resources Association of Jiangsu Province (江蘇省人力資源學會) and undertaken by Zhongqi Lianhe (Nanjing) Human Resources Centre (中企聯合(南京) 人力資源中心), Mr. He was elected as the "Outstanding CEO of the year and Entrepreneur Showing the Greatest Care for Employees (年度傑出CEO暨最關心員工企業家)". Meanwhile, Mr. He was recognised as "Outstanding Builder of Socialism Cause with Chinese Characteristics in Nanjing (南京市優秀中國特色社會主義事業建設者)" by the municipal party committee and the municipal government for promoting the development of the creative industry in Nanjing and making significant contribution to economic development.

MAJOR EVENTS

During the year, the Group has closed two branches in Kunming and Chongqing. In addition, the Group planned to establish Jiangxi Dahe Media Co., Ltd. (江西大賀傳媒有限公司), a joint venture with a registered capital of RMB2 million jointly with 劉德輝, manager of the original Jiangxi branch company, in which the Group accounted for 70% of the shareholdings. The joint venture is mainly engaged in local outdoor media business in Jiangxi.

During the year, the Group has transferred its 67% equity in Hebei Dahe Media Co., Ltd. (河北大賀傳媒有限公司) to an independent third party for a consideration of RMB1,900,000 and ceased to hold shares of the company.

DIVIDEND

The Board did not suggest the distribution of dividend for the year end 31 December 2012.

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, 2012, 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%. Income tax expense for 2012 was approximately RMB15.87 million, and in 2011 it was approximately RMB8.13 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, trade and other payables increased to RMB70.02 million from approximately RMB46.22 million in 2011. Trade and note receivables increased to RMB212.05 million from RMB189.68 million in 2011.

As at 31 December 2012, bank balance and cash and pledged bank deposits held by the Group amounted to RMB124.15 million; bank borrowings of the Group amounted to RMB220 million. Net Debt-Equity Ratio was approximately 27%, being the percentage of bank borrowings less bank balance and cash over net assets of approximately RMB354.97 million.

Profits attributable to owners of the Company were approximately RMB8.86 million, a decrease of 35% as compared with RMB13.56 million for the last year.

DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

During the year, distribution costs and administrative expenses were approximately RMB116.47 million, while in 2011, it was approximately RMB102.37 million.

FINANCE COSTS

During the year, finance costs were approximately RMB19.38 million, while in 2011 it was approximately RMB18.68 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 2012, non-controlling interests amounted to approximately RMB19.28 million, while in 2011 it was approximately RMB38.90 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

For the year ended 31 December 2012, the net current assets of the Group were approximately RMB102.02 million, and net assets were approximately RMB354.97 million. In 2011, they were approximately RMB105.11 million and RMB365.73 million respectively.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group would transfer its entire 67% equity interest held in Hebei Dahe Media Co., Ltd. to an independent third party for a consideration of RMB1,900,000 and would cease holding any equity interest in it.

EMPLOYEES

As at 31 December 2012, 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 2012, the Group's pledged bank deposits of approximately RMB10 million (31 December 2011: RMB34 million) were pledged as security for the Group's borrowings.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group had no material contingent liabilities.

FINANCIAL GUARANTEE LIABILITIES

At 31 December 2012, the Group has outstanding guarantee of RMB50,000,000 (2011: RMB30,000,000) provided to the holding company for its bank borrowings.

The Directors present their annual report for 2012 together with the Group's audited consolidated financial statements for the year ended 31 December 2012.

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.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 45.

The Board did not recommend a final dividend for the year ended 31 December 2012.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest customer and the five largest customers accounted for approximately 12% and 36% respectively of the Group's turnover. The Group's largest supplier and five largest suppliers accounted for approximately 6% and 16% respectively to the Group's purchase.

Save for南京會購信息科技有限責任公司(the fifth largest customer of the Group), which was a subsidiary of Dahe Investment Holdings Company Limited, 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 2012, the reserves of the Group available for cash distribution or distribution in specie amounted to approximately RMB127.95 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 (resigned on 7 August 2012)
LU Yin (appointed on 7 August 2012)

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 32 to page 33 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 2012.

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

A. Directors, chief executives and Supervisors

As at 31 December 2012, the interests and short positions of Directors and the Supervisors of the Company (as if the requirements applicable to Directors under the 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) which (a) were that required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the Supervisors is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(i) the Company

Name of Director/ Supervisor *(Note 1)*	**Capacity**	**Number and class of securities** *(Note 2)*	**Approximate percentage of shareholding in the relevant class of securities**	**Approximate percentage of shareholding in the issued share capital of the Company**
He Chaobing	Interest of a controlled corporation (Note 3)	418,000,000 Domestic Shares (L)	72.07%	50.36%
He Lianyi	Beneficial owner	6,400,000 Domestic Shares (L)	1.10%	0.77%
Wang Mingmei	Beneficial owner	3,800,000 Domestic Shares (L)	0.66%	0.46%

Notes:

1. All of the persons named above are Directors, except Ms. Wang Mingmei who is a Supervisor of the Company.
2. The letter "L" denotes a long position in the shares.
3. The interests in the domestic shares were held through the Dahe Investment Holdings Group, Co., Ltd. ("DIHG") which was 99% and 1% owned by He Chaobing and Ms. Yan Fen, spouse of Mr. He, respectively.

(ii) the associated corporations

Name of Director/ Supervisor	Name of the associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage of shareholding in the issued share capital of the associated corporation
He Chaobing	DIHG	Beneficial owner	418,000,000 Shares (L)	99%
He Pengjun	Nanjing Ultralon Investment Management Co., Ltd.* (南京歐特龍投資管理有限公司)	Beneficial owner	500,000 Shares (L)	10%

Notes:

1. The letter "L" denotes a long position in the shares.

Save as disclosed above, none of the Directors or chief executives of the Company is aware of any other Directors or chief executives of the Company who has any interests or short positions in any Shares and underlying shares in, and debentures of, the Company or any associated corporation as at 31 December 2012.

Save and except He Chaobing, who is the director of DIHG, none of the Directors or proposed Directors has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

B. Substantial Shareholders

As at 31 December 2012, according to the records in the register which required to be kept under section 336 of the SFO, the following persons, other than Directors, chief executives or Supervisors of the Company, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Company/ name of the member of the Group	Capacity	Number and class of securities (Note 1)	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the issued share capital of the Company/ member of the Group
DIHG	Company	Beneficial owner	418,000,000 Domestic Shares (L)	72.07%	50.36%
Yan Fen	Company	Interest of spouse (Note 2)	418,000,000 Domestic Shares (L)	72.07%	50.36%
Nanjing Ultralon Investment Management Co., Ltd.* (南京歐特龍投資管理有限公司)	Hangzhou Ultralon Advertising Co., Ltd.* (杭州歐特龍廣告有限公司)	Beneficial owner	150,000 Shares (L)	10%	10%
Chengdu Xintianjie Advertising Co., Ltd.* (成都新天杰廣告有限責任公司)	Sichuan Xintianjie Media Technology Development Co., Ltd.* (四川新天杰傳媒科技發展有限責任公司)	Beneficial owner	9,000,000 Shares (L)	45%	45%

Name of Shareholder	Company/ name of the member of the Group	Capacity	Number and class of securities (Note 1)	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the issued share capital of the Company/ member of the Group
DIHG	Ankang International	Beneficial owner	490,000 Shares (L)	49%	49%
Gao Huajun	Nanjing Dahe Colour Printing Co., Ltd.* (南京大賀彩色印刷有限公司)	Beneficial owner	2,000,000 Shares (L)	10%	10%
Hebei Dalong Media Co., Ltd.* (河北大龍傳媒有限公司)	Hebei Dahe Media Co., Ltd.* (河北大賀傳媒有限公司)	Beneficial owner	3,036,000 Shares (L)	33%	33%

Notes:

1. The letter "L" denotes a long position in the Shares.

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

Save as the disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which will have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as at 31 December 2012.

C. 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 2012, save for the persons/entities disclosed in sub-section B above, the following entities/persons had an interest or a short position in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO:

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 issued share capital of the Company
Yan Jian	Beneficial owner	71,800,000 Domestic Shares (L)	12.37%	8.66%
Nanjing State-owned Assets Investment Management Holdings (Group) Co. Ltd.* (南京市國有資產投資管理控股(集團)有限責任公司)	Beneficial owner	50,000,000 Domestic Shares (L)	8.62%	6.02%
Nanjing Pukou Ink Printing Factory* (南京市浦口區晨威油墨廠)	Beneficial owner	30,000,000 Domestic Shares (L)	5.17%	3.61%

Notes:

1. The letter "L" denotes the person's/entity's long position in the Shares.
2. The interests in the domestic shares will be held through Nanjing Hi-Tech Venture Capital Co., Ltd., the registered capital of which is 56.39% owned by Nanjing Zijin Investment Co., Ltd. (南京紫金投資集團有限責任公司).

Save as disclosed above, no other person/entity had an interest or a short position in the Shares and underlying Shares as recorded on 31 December 2012 in the register required to be kept under section 336 of the SFO.

COMPETING INTEREST

None of the Directors, the controlling shareholders of the Company and their respective associates as defined under the GEM Listing Rules had any interest in a business which competes or may compete, either directly or indirectly, with the businesses of the Group nor any conflicts of interest which has or may have with the Group.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had undertaken certain continuing connected transactions and had been in compliance with the disclosure requirements of Chapter 20 of the GEM Listing Rules.

Except disclosed below, the Board has approved and the independent non-executive directors has reviewed the continuing connected transactions of the Company in 2012 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.

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 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. According to the results, the financial assistance provided by the Company to Nanjing Millennium Ankang (南京千禧安康) in 2012 (please refer to the Company's announcement dated 5 April 2012 for the details of the relevant transaction), of which the maximum balance together with interest expense was RMB90,374,889, was slightly exceed the 2012 annual cap (i.e. RMB84,000,000), and therefore resulted in a breach of the requirements of the GEM Listing Rules. The 2012 annual cap was exceeded mainly due to the mis-estimation of the amount of the financial interest by the relevant financial staff. The Company took actions immediately after the discovery of the above matter and reported to the Board at once. The Board (including the independent non-executive directors) considered the exceeded amount was insignificant and did not cause any financial loss to the Group. In view of this, the Directors (including the independent non-executive Directors) considered that the disclosure of the incident in its announcement and annual report, which is to be published, is appropriate. To avoid the re-occurrence of similar incidents, the Group has strengthened its internal control over all of its continuing connected transactions, which include providing specific training to the responsible officers. Nanjing Millennium Ankang (南京千禧安康) also prepared a corresponding repayment proposal. Except the above, all the continuing connected transactions did not exceed their respective annual cap amounts. A copy of the independent auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2012, and believes that the results is prepared according to relevant accounting standards, Rules Governing the Listing of Securities on the GEM and other statutory requirements with adequate disclosure.

SCOPE OF WORK OF AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

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	:	5 April 2012
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 commencing from 1 July 2012 to 31 December 2014.
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 2012 is RMB15,000,000 and the actual transaction amount under the Engineering Agreement in 2012 is RMB4,761,300.

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

Parties	:	(i) the Company (ii) Dahe Investment (iii) Mr. He Chaobing
Date	:	5 April 2012
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 commencing from 1 July 2012 to 31 December 2014.
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 Investment 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 2012 is RMB15,000,000 and the actual transaction amount under the Production Service Agreement in 2012 is RMB14,141,602.

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	:	5 April 2012
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 commencing from 1 July 2012 to 31 December 2014.
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 2012	:	The annual cap for the year ended 31 December 2012 is RMB2,000,000 and the actual transaction amount under the Graphic Production Agreement in 2012 is RMB273,989.

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 5 April 2012. 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 2014. In other words, the maximum liability of the Group throughout each of the financial years ending 31 December 2012, 2013 and 2014 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 2012. 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 2012, the transactions under the Master Guarantee Agreement have not exceeded the annual cap and the maximum balance together with interests/fee amounted to RMB51,600,000.

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

On 5 April 2012, 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 RMB15,000,000 for each of the three financial years ending 31 December 2014. In other words, the maximum liability of the Group throughout each of the financial years ending 31 December 2012, 2013 and 2014 under the Guarantee Agreement will not be more than RMB15,000,000. 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 RMB17,000,000 for the three financial years ending 31 December 2012. 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 2012, the transactions under the Guarantee Agreement have not exceeded the annual cap and the maximum balance together with interests/fee amounted to RMB10,400,000.

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

Furthermore, on 5 April 2012, 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 2014. In other words, the maximum liability of the Group throughout each of the financial years ending 31 December 2012, 2013 and 2014 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 2012. 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 2012, the transactions under the Financial Assistance Agreement have not exceeded the annual cap and the maximum balance together with interests/fee amounted to RMB90,374,889.

AUDIT COMMITTEE

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2012, 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 34 to 42 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.

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
26 March 2013

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 2012. 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 2012.

The Supervisory Committee considers that resolutions of the Board meetings held in 2012 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 2012, and is confident about the prospects of the Company's future developments.

By Order of the Supervisory Committee

Wang Mingmei
Chairman

Nanjing, the PRC,
26 March 2013

DIRECTORS

Executive Directors

He Chaobing (賀超兵), male, aged 53, 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 Chairman 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).

Lu Yin (魯音), female, aged 39, currently the Vice-Chairman of the Company. She graduated from Nanjing University of Science and Technology with a bachelor's degree in electronic engineering in 1997. Ms. Lu had worked in well-known real estate companies and Taiwan enterprises for 8 years and has extensive experience in management. She joined the Company in 2004 and was an assistant to the Chairman, a General Office Director and Head of the Public Affairs Department.

Yang Jianliang (楊建良), male, aged 47, 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 49, 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 61, 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 28, 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 66. 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 59. 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 50, 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 64, 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 41, 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 53, 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

Huang Hongxing (黃洪興), male, aged 36. 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 (resigned on 7 August 2012)
LU Yin (appointed on 7 August 2012)

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.

In respect of corporate governance functions, the Board of Directors has performed the following corporate governance duties during the year under review:

(a) formulate and review issuer's corporate governance policy and practice and make recommendations to the Board of Directors;

(b) review and monitor the training and continuous professional development of the Directors and senior management staff;

(c) review and monitor the issuer's policy and practice in complying with laws and regulatory requirements;

(d) formulate, review and monitor the code of practice and compliance manual (if any) for employees and Directors; and

(e) review the issuer's compliance with the Code and the disclosure in the Corporate Governance Report.

In addition, the Board of Directors has confirmed that it is accountable for the internal control system and is responsible to review the effectiveness of the system. During the year, the Board has identified, assessed and managed the material risk procedures through the Audit Committee, and carried out scheduled and non-scheduled audits and examinations on all aspects and all departments of the Group to strengthen internal control and ensure sound corporate development. The Board has reviewed the effectiveness of the Group's internal control system and completed the review on the Group's internal control system during the year. Based on the review of the Group's internal control system conducted by independent audit firms, the Group will further improve the internal management and control system of the Company.

(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 5.05 and Rule 5.05A of the Listing Rules).

The Company has received independent confirmations issued by all independent non-executive directors pursuant to Rule 5.09 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 2012
Executive Directors:	
HE Chaobing	9/9
YANG Jianliang	4/9
LU Yin	5/9
Non-executive directors:	
LI Huafei	9/9
HE Lianyi	9/9
HE Pengjun	9/9
Independent non-executive directors:	
SUN Yingcai	9/9
GE Jianya	9/9
YE Jianmei	9/9
Number of meetings held during the year	9

(vii) Attendance of directors at general meetings

The following table sets out the attendance of all directors at general meetings during the year:

	Attendance at meetings/number of meetings held for the year ended 31 December 2012
Executive Directors:	
HE Chaobing	2/2
YANG Jianliang	1/2
LU Yin	1/2
Non-executive directors:	
LI Huafei	2/2
HE Lianyi	2/2
HE Pengjun	2/2
Independent non-executive directors:	
SUN Yingcai	2/2
GE Jianya	2/2
YE Jianmei	2/2
Number of meetings held during the year	2

(viii) Training for directors

According to the provisions of corporate governance, all directors should participate in continuous professional development, develop and update his knowledge and skills. The Directors have been provided with relevant guidance materials to ensure their understanding of the latest commercial, legal and regulatory changes relating to the business of the Company, and update their knowledge and skills in respect of the roles, duties and responsibilities of directors of listed companies.

During the period from 1 January 2012 to 31 December 2012, all Directors of the Company have sent their training records to the Company. All Directors, namely Mr. HE Chaobing and Ms. LU Yin, Mr. SUN Yingcai, Mr. GE Jianya and Ms. YE Jianmei, and Mr. LI Huafei, Mr. HE Lianyi and Mr. HE Pengjun, have all participated in continuous professional development, mainly through reading certain materials relating to directors' duties.

(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 2012, 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 2012, 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 2012
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 2012, 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 2012, 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 2012, the following table sets out the attendance of the members of the Remuneration Committee at meetings of the Remuneration Committee during the year:

	Attendance at meetings/number of meetings held for the year ended 31 December 2012
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 2012 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 2012, 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 2012, 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 2012
YANG Jianliang *(Chairman)*	1/1
GE Jianya	1/1
YE Jianmei	1/1
Number of meetings held during the relevant period	1

Nomination Committee includes the following functions:

(a) formulate nomination policy for consideration by the Board of Directors, and implement the nomination policy approved by the Board of Directors; and

(b) Without prejudice to the generality of the above provision:

(i) review the structure, number and constituent members (including their skills, knowledge, experience and service duration), and propose any changes to the Board of Directors in accordance with the corporate strategies of the Company;

(ii) identify competent individuals with appropriate qualifications as candidates for Directors, select and nominate the relevant individuals to act as Directors or advise the Board of Directors in this respect;

(iii) identify and nominate candidates capable to fill any vacancy of Directors for approval by the Board of Directors;

(iv) evaluate the independence of the independent non-executive Directors;

(v) review the time required for Directors to perform their duties on regular basis;

(vi) make recommendations to the Board of Directors on matters relating to the appointment or re-appointment of Directors and succession plans for Directors (in particular for the Chairman and the Chief Executive Officer);

(vii) carry out any action to procure the committee to perform the powers and duties authorized by the Board of Directors; and

(viii) comply with any requirements, instructions and regulations stipulated by the Board of Directors or set out in the Articles of Association of the Company or required by laws from time to time.

The Nomination Committee will have at least one meeting per year. According to the terms of reference, the Committee has an advisory role in the matters mentioned above and the Board of Directors reserves the right of final and conclusive decision.

(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 2012, the Group's external auditors provided the following services to the Group:

	2012 **RMB'000**
Audit services	2,383

(H) SHAREHOLDERS' RIGHTS

How the Shareholders convene the Extraordinary General Meeting and present suggestions in the general meeting

According to the Article of Associations of the Company, Shareholder(s) holding more than 10% (inclusive) of the Company's issued and outstanding shares carrying voting rights request(s) in writing the convening of an extraordinary general meeting, the Board shall convene an extraordinary general meeting within two months. Also, when the Company convenes an annual general meeting, shareholders holding more than 5% (inclusive) of the total voting shares of the Company shall have the right to submit new proposals in writing to the Company, but the said proposals shall be served to the Company 90 days prior to the date of convening of the annual general meeting. The Company shall place the proposals on the agenda for the said annual general meeting if the said proposals fall within the functions and powers of general meetings.

The letter of demanding an Extraordinary General Meeting mentioned above shall be sent to the principal office of the Company stating the Board of the Company as the addressee.

How to make enquiry to the Board

Shareholders may send letters to the principal office of the Company for any enquiries stating the Board of the Company as the addressee.

Significant changes of the Article of Associations of the Company

During the year under review, according to the prevailing market conditions and the needs for further development of the business of the Company, the Board proposes to broaden the business scope of the Company and to revise the relevant provisions in the Articles of Association, specific amendments can be referred to the circular of the Company dated 22 June 2012.

(I) COMPANY SECRETARY

According to the requirement of Listing Rules, Mr. Wong Hudson, the company secretary of the Company, has taken not less than 15 hours of relevant professional training during the financial year ended 31 December 2012.

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DAHE MEDIA CO., LTD.
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 45 to 115, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 2012 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

Chow Tak Sing, Peter
Practising Certificate Number P04659

Hong Kong, 26 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 *RMB'000*	2011 *RMB'000*
Turnover	6	**454,801**	429,741
Cost of sales	10	**(294,322)**	(281,959)
Gross profit		**160,479**	147,782
Other revenue and net gains and losses	8	**3,748**	2,580
Distribution costs		**(39,012)**	(40,560)
Administrative expenses		**(77,460)**	(61,808)
Share of results of a jointly controlled entity	21	**(321)**	(132)
Finance costs	9	**(19,379)**	(18,680)
Profit before income tax	10	**28,055**	29,182
Income tax expense	11	**(15,867)**	(8,134)
Profit and total comprehensive income for the year		**12,188**	21,048
Attributable to:			
– Owners of the Company		**8,860**	13,561
– Non-controlling interests		**3,328**	7,487
		12,188	21,048
Earnings per share – Basic and diluted (RMB)	12	**0.011**	0.016

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012	2011
		RMB'000	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	**33,227**	32,981
Property, plant and equipment	16	**162,026**	150,536
Prepaid land lease payments	17	**2,230**	2,286
Goodwill	18	**15,679**	15,679
Other intangible assets	19	**2,109**	2,342
Interest in a jointly controlled entity	21	**1,247**	1,568
Deposit paid to a fellow subsidiary	32(d)	**31,977**	50,198
Deferred tax assets	11(c)	**4,980**	4,980
Available-for-sale financial assets	30	**52**	52
Total non-current assets		**253,527**	260,622
Current assets			
Inventories	22	**8,282**	7,178
Trade and note receivables	23	**212,053**	189,680
Other receivables, deposits and prepayments	24	**64,338**	45,964
Amount due from a former subsidiary	30	**892**	937
Amount due from holding company	32(c)	**5,763**	—
Deposit paid to holding company	32(c)	**—**	30,000
Amount due from a jointly controlled entity	21	**94**	128
Amounts due from a fellow subsidiary	32(d)	**—**	3,000
Amounts due from related companies	32(e)	**17,003**	4,744
Bank balances and cash and pledged bank deposits	25	**124,145**	207,335
Total current assets		**432,570**	488,966
Total assets		**686,097**	749,588
Current liabilities			
Trade payables	26	**57,061**	38,327
Other payables, deposits received and accruals	26	**12,955**	7,890
Deferred advertising income		**22,547**	23,165
Amount due to holding company	32(c)	**—**	11,956
Amount due to related companies	32(e)	**115**	—
Amount due to a fellow subsidiary	32(d)	**1,208**	—
Bank borrowings	27	**220,000**	292,000
Income tax payables		**11,212**	6,088
Other tax payables		**5,452**	4,431
Total current liabilities		**330,550**	383,857

As at 31 December 2012

	Notes	2012 *RMB'000*	2011 *RMB'000*
Net current assets		**102,020**	105,109
Total assets less current liabilities		**355,547**	365,731
Non-Current liability			
Deferred tax liability	11(d)	**582**	—
NET ASSETS		**354,965**	365,731
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	28	**83,000**	83,000
Reserves		**252,688**	243,828
Equity attributable to owners of the Company		**335,688**	326,828
Non-controlling interests		**19,277**	38,903
TOTAL EQUITY		**354,965**	365,731

On behalf of the board

He Chaobing
Director

Lu Yin
Director

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	**33,227**	32,981
Property, plant and equipment	16	**71,484**	46,986
Prepaid land lease payments	17	**2,230**	2,286
Other intangible assets	19	**1,013**	1,121
Investments in subsidiaries	20	**46,234**	50,938
Interest in a jointly controlled entity	21	**1,700**	1,700
Deposit paid to a fellow subsidiary	32(d)	**31,977**	42,420
Deferred tax assets	11(c)	**4,980**	4,980
Total non-current assets		**192,845**	183,412
Current assets			
Inventories	22	**4,693**	3,313
Trade and note receivables	23	**113,215**	122,412
Other receivables, deposits and prepayments	24	**28,783**	15,514
Amount due from holding company	32(c)	**3,320**	1,210
Deposit paid to holding company	32(c)	**—**	30,000
Amount due from a fellow subsidiary	32(d)	**—**	3,000
Amounts due from subsidiaries	20	**122,684**	69,422
Amount due from a former subsidiary	30	**132**	177
Amounts due from related companies	32(e)	**14,152**	1,256
Amount due from a jointly controlled entity	21	**94**	128
Bank balances and cash and pledged bank deposits	25	**114,913**	196,656
Total current assets		**401,986**	443,088
Total assets		**594,831**	626,500
Current liabilities			
Trade payables	26	**28,237**	26,647
Other payables, deposits received and accruals	26	**8,968**	3,976
Deferred advertising income		**8,868**	10,924
Amounts due to subsidiaries	20	**98**	6,368
Amount due to a fellow subsidiary	32(d)	**545**	—
Amounts due to related companies	32(e)	**115**	—
Bank borrowings	27	**215,000**	275,000
Income tax payables		**4,598**	343
Other tax payables		**2,370**	2,586
Total current liabilities		**268,799**	325,844

	Notes	2012 RMB'000	2011 RMB'000
Net current assets		**133,187**	117,244
Total assets less current liability		**326,032**	300,656
Non-Current liability			
Deferred tax liability	11(d)	**582**	–
NET ASSETS		**325,450**	300,656
CAPITAL AND RESERVES			
Share capital	28	**83,000**	83,000
Reserves	29	**242,450**	217,656
TOTAL EQUITY		**325,450**	300,656

On behalf of the board

He Chaobing
Director

Lu Yin
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	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 2011	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 subsidiaries (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
Profit and total comprehensive income for the year	–	–	–	–	8,860	8,860	3,328	12,188
Disposal of subsidiaries (Note 31)	–	(37)	(77)	–	114	–	(562)	(562)
Transfer between reserves	–	–	3,058	–	(3,058)	–	–	–
Dividend paid to non-controlling shareholder of a subsidiary	–	–	–	–	–	–	(22,392)	(22,392)
Balance at 31 December 2012	83,000	97,384	28,199	(844)	127,949	335,688	19,277	354,965

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
Cash flows from operating activities		
Profit before income tax	**28,055**	29,182
Adjustments for:		
Interest income	**(615)**	(149)
Interest expense	**18,710**	17,930
Depreciation of properties, plant and equipment	**25,135**	25,604
Fair value (gain)/loss on investment properties	**(246)**	198
(Gain)/loss on disposal of subsidiaries	**(757)**	793
Amortisation of other intangible assets and prepaid land lease payments	**289**	290
Loss on disposal of property, plant and equipment	**2,595**	1,779
Allowance for bad and doubtful debts	**27,519**	16,696
Allowance for other receivables, deposits and prepayments	**615**	900
Impairment loss on deposit paid to fellow subsidiary	**—**	2,000
Allowance for/(reversal of allowance for) obsolete inventories	**120**	(123)
Share of results of a jointly controlled entity	**321**	132
Operating profit before working capital changes	**101,741**	95,232
(Increase)/decrease in inventories	**(1,224)**	1,452
Increase in trade and note receivables	**(49,982)**	(74,720)
(Increase)/decrease in other receivables, deposits and prepayments	**(21,074)**	3,612
Decrease in amount due from/to a fellow subsidiary	**4,208**	—
Decrease/(increase) in amount due from a jointly controlled entity	**34**	(128)
Increase in amounts due from/to related companies	**(12,144)**	(3,461)
Decrease in amount due from a former subsidiary	**45**	—
Increase/(decrease) in trade payables	**19,240**	(1,033)
Increase in other payables, deposits received and accruals	**8,956**	1,710
(Decrease)/increase in deferred advertising income	**(618)**	682
Decrease in amount due from/to holding company	**(17,719)**	(688)
Increase in other tax payables	**1,021**	3,466
Cash generated from operations activities	**32,484**	26,124
Interest paid	**(18,710)**	(17,930)
PRC income tax paid	**(10,161)**	(8,866)
Net cash generated from/(used in) operating activities	**3,613**	(672)

For the year ended 31 December 2012

	2012 *RMB'000*	2011 *RMB'000*
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(44,155)**	(12,042)
Proceeds on disposal of property, plant and equipment	**1,044**	2,210
Refund of/(addition of) pledged bank deposits	**24,000**	(32,955)
Interest received	**615**	149
Decrease in deposit paid to a fellow subsidiary	**18,221**	592
Proceeds on disposal of subsidiaries, net of cash disposed	**1,864**	460
Contribution to a jointly controlled entity	**—**	(1,700)
Net cash generated from/(used in) investing activities	**1,589**	(43,286)
Cash flows from financing activities		
New bank borrowings	**220,000**	295,000
Repayment of bank borrowings	**(292,000)**	(186,357)
Deposit repaid from/(paid to) holding company	**30,000**	(10,000)
Proceeds on partial disposal of equity interest in a subsidiary, net of cash disposed	**—**	561
Dividends paid to non-controlling shareholder of a subsidiary	**(22,392)**	(400)
Net cash (used in)/generated from financing activities	**(64,392)**	98,804
Net (decrease)/increase in cash and cash equivalents	**(59,190)**	54,846
Cash and cash equivalents at beginning of year	**173,335**	118,489
Cash and cash equivalents at end of year	**114,145**	173,335
Analysis of balances of cash and cash equivalents		
Bank balances and cash and pledged bank deposits	**124,145**	207,335
Less: Pledged bank deposits	**(10,000)**	(34,000)
	114,145	173,335

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 and Technology Development Zone, Nanjing, the PRC.

The directors of the Company consider Dahe Investment Holding Co., Ltd. ("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.

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

(a) Adoption of new/revised HKFRSs – Effective 1 January 2012

Amendments to HKFRS 1	Severe Hyper Inflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKFRS 12	Deferred Tax – Recovery of Underlying Assets

The adoption of these amendments has no material impact on the Group's financial statements.

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.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interest in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Instruments[2]
HKAS 28 (2011)	Investments in Associates and Joint Venture[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

HKFRSs (Amendments) - Annual Improvements 2009-2011 Cycle

The improvements made amendments to the following standards:

(i) *HKAS 1 Presentation of Financial Statements*

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

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

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

***HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle** (continued)*

(ii) *HKAS 16 Property, Plant and Equipment*

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) *HKAS 32 Financial Instruments: Presentation*

The amendments Clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) *HKAS 34 Interim Financial Reporting*

The amendments clarify that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

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 or 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 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

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 HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

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)

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.

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.

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 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.

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 as explained in the accounting policies set out below.

(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, 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 acquirer 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 acquirer'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.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

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

(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.

(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;

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(ii) Impairment loss on financial assets (continued)

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.

(iii) Financial liabilities

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

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

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee 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.

(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.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(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.

(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.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(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.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

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.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(u) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

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:

	2012	2011
	RMB'000	*RMB'000*
Income from media dissemination	**299,223**	222,150
Income from media production	**72,525**	59,034
Income from terminal dissemination	**83,053**	148,557
	454,801	429,741

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 2012

	Media dissemination *RMB'000*	**Media production** *RMB'000*	**Terminal dissemination** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	**299,223**	**72,525**	**83,053**	**454,801**
Reportable Segment results	**127,518**	**7,579**	**25,382**	**160,479**
Other income and net gains and losses				**3,748**
Distribution costs				**(39,012)**
Administrative expenses				**(77,460)**
Share of results of a jointly controlled entity				**(321)**
Finance costs				**(19,379)**
Profit before income tax				**28,055**

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 income 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

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

The Group's customer base is diversified and there were two customers with whom transactions have exceeded 10% of the Group's revenues. Revenues from two customers of the Group's media dissemination segment amounted to approximately RMB102,882,000. There were no customers for the year ended 2011, contributing over 10% of the Group's turnover.

8. OTHER REVENUE AND NET GAINS AND LOSSES

	Notes	2012 *RMB'000*	2011 *RMB'000*
Other revenue			
Interest income		**615**	149
Government grants (note)		**1,689**	2,080
Rental income	33(b)	**1,330**	1,655
Guarantee fee income		**1,600**	1,194
Others		**106**	272
		5,340	5,350
Net gains and losses			
Fair value gain/(loss) of investment properties	15	**246**	(198)
Gain/(loss) on disposal of subsidiaries	31	**757**	(793)
Loss on disposal of property, plant and equipment		**(2,595)**	(1,779)
		(1,592)	(2,770)
Total		**3,748**	2,580

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

	2012 *RMB'000*	2011 *RMB'000*
Interest expense on bank loans wholly repayable within five years	**17,339**	13,047
Interest expense on note payables	**1,371**	4,883
Bank charges	**669**	750
	19,379	18,680

10. PROFIT BEFORE INCOME TAX

	Notes	2012 *RMB'000*	2011 *RMB'000*
Profit before income tax is stated after charging/(crediting) the following:			
Cost of inventories (Note)		**123,612**	151,293
Cost of services (Note)		**170,710**	130,666
		294,322	281,959
Auditor's remuneration		**2,383**	1,040
Depreciation of property, plant and equipment	16	**25,135**	25,604
Amortisation of prepaid land lease payments	17	**56**	57
Amortisation of other intangible assets	19	**233**	233
Allowance for bad and doubtful debts on trade and note receivables	23	**27,519**	16,696
Allowance for bad and doubtful debts on other receivables, deposits and prepayments	24	**615**	900
Impairment loss on deposit paid to fellow subsidiary	32(d)	**—**	2,000
Employee benefit expenses (excluding directors' and supervisors' remuneration (Note 14(a) and (b))			
– Salaries, bonus and allowances		**45,772**	38,514
– Defined contribution retirement benefit scheme		**6,601**	6,026
Research and development costs included in administrative expenses		**3,283**	5,409

Note: Cost of inventories and cost of services (together the cost of sales) included RMB13,509,000 (2011: RMB13,019,000) and RMB15,581,000 (2011: RMB14,997,000) 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 RMB28,000 (2011: RMB5,410,000) 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. The Company was subject to standard rate of 25% for the year ended 31 December 2012 (2011: 15%). The subsidiaries of the Company are subject to standard EIT rate of 25% for the year ended 31 December 2012 (2011: 25%).

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

	Note	**2012** *RMB'000*	2011 *RMB'000*
Current tax			
– Provision of PRC income tax for the year		**12,901**	8,183
– Under/(over) provision in respect of prior years		**2,384**	(49)
		15,285	8,134
Deferred tax	11(d)	**582**	—
		15,867	8,134

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

	2012 *RMB'000*	2011 *RMB'000*
Profit before income tax	**28,055**	29,182
Add: Share of loss of a jointly controlled entity	**321**	132
	28,376	29,314
Tax calculated at the statutory EIT rate of 25% (2011: 25%)	**7,094**	7,329
Tax effect of expenses not deductible for taxation purposes	**4,233**	820
Tax effect of non-taxable items	**(4,869)**	(2,108)
Utilisation of previously unrecognised tax losses	**(533)**	(184)
Tax effect of unused tax losses of subsidiaries not recognised	**7,558**	3,695
Reduction of income tax under preferential tax treatment	**—**	(1,369)
Under/(over) provision in respect of prior years	**2,384**	(49)
Income tax expense	**15,867**	8,134

11. INCOME TAX EXPENSE (continued)

(c) The deferred tax asset of RMB4,980,000 (2011: 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.

(d) Deferred Tax Liability

The Group and the Company

	Fair value gain on investment properties *RMB'000*
At 1 January and 31 December 2011	—
Charge to profit and loss (Note 11(a))	582
At 31 December 2012	582

At 31 December 2012, the Company's subsidiaries have unused tax losses of RMB1,358,000 (2011: RMB2,085,000) and deductible temporary differences of RMB84,208,000 (2011: RMB55,380,000) 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 RMB8,860,000 (2011: RMB13,561,000) and the weighted average number of shares in issue of 830,000,000 (2011: 830,000,000).

The dilutive earnings per share are the same as the basic earnings per share for the years ended 31 December 2012 and 2011 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 2012 and 2011.

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 RMB814,730 (2011: RMB827,130)) and as follows:

	2012			
	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 (i)	—	53	—	53
Lu Yin (ii)	—	86	21	107
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	381	60	693

(i) Resigned on 7 August 2012

(ii) Appointed on 7 August 2012

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 RMB814,730 (2011: RMB827,130)) 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

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 RMB814,730 (2011: RMB827,130)) and as follows:

	2012			
	Salaries and allowances *RMB'000*	**Bonus** *RMB'000*	**Defined contribution retirement benefit scheme** *RMB'000*	**Total** *RMB'000*
Supervisors:				
Xue Guiyu	**65**	**—**	**13**	**78**
Liu Jianbo	**6**	**—**	**—**	**6**
	71	**—**	**13**	**84**

	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

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 2012 included one director (2011: one director) whose remuneration is set out in note (a) above. Details of remuneration of the remaining four (2011: four) highest paid non-director employees whose remuneration were all below HK$1,000,000 (equivalent to RMB814,730 (2011: RMB827,130)) during the years ended 31 December 2012 and 2011 are as follows:

	2012	2011
	RMB'000	*RMB'000*
Salaries and allowances	**881**	972
Bonus	**419**	355
Defined contribution retirement benefit scheme	**95**	98
	1,395	1,425

The emoluments of that highest paid individual fell within following bands:

	Number of individual	
	2012	2011
Nil to RMB814,730 (2011: Nil to RMB827,130) (Equivalent to Nil to HK$1,000,000)	**4**	4

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 and there is no director waived or agreed to waive any of their emoluments.

(d) Member of senior management

The emoluments paid or payable to members of senior management were within the following bands:

	2012	2011
	No of individuals	No of individuals
Nil to RMB814,730 (2011: Nil to RMB 827,130) (Equivalent to Nil to HK$1,000,000)	**2**	2

15. INVESTMENT PROPERTIES

The Group and the Company

	2012	2011
	RMB'000	*RMB'000*
At 1 January	**32,981**	33,179
Fair value gain/(loss)	**246**	(198)
At 31 December	**33,227**	32,981

The investment properties were revalued at 31 December 2012 and 2011 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 who holds a recognised and relevant professional qualification.

Due to the lack of an established market upon which to base on comparable transactions of actual sales of comparable properties, certain investment properties has been valued on the basis of its depreciated replacement cost. Depreciated replacement cost is defined as "an estimate of the new replacement cost of the building and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the properties".

For the remaining investment properties, the valuations were arrived at by reference to (i) market evidence of transaction prices for similar properties and (ii) the value of the land.

During the year, the Group has earned RMB1,647,000 (2011: RMB1,655,000) as rental income with outgoings of RMB317,000 (2011: RMB259,000) from its investment properties. The investment properties are held in the PRC under medium term leases.

16. 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 2011	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 subsidiaries (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
Additions	28,663	–	10,254	637	1,641	2,960	44,155
Disposal of subsidiaries (Note 31)	(9,822)	–	–	–	(401)	(668)	(10,891)
Disposals	(7,229)	–	(584)	(33,617)	(1,620)	(1,135)	(44,185)
As at 31 December 2012	**213,527**	**22,514**	**14,389**	**106,996**	**20,243**	**10,774**	**388,443**
Accumulated Depreciations							
As at 1 January 2011	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 subsidiaries (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
Charge for the year (Note 10)	17,603	537	1,088	3,161	1,350	1,396	25,135
Disposal of subsidiaries (Note 31)	(6,103)	–	–	–	(322)	(575)	(7,000)
Written back on disposals	(6,181)	–	(584)	(31,227)	(1,508)	(1,046)	(40,546)
As at 31 December 2012	**106,014**	**5,443**	**4,129**	**89,412**	**15,848**	**5,571**	**226,417**
Carrying amount							
As at 31 December 2012	**107,513**	**17,071**	**10,260**	**17,584**	**4,395**	**5,203**	**162,026**
As at 31 December 2011	101,220	17,608	1,094	22,498	4,295	3,821	150,536

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	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 2011	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
Additions	22,357	–	10,253	637	304	2,341	35,892
Disposals	(6,275)	–	(584)	(33,406)	(1,434)	(770)	(42,469)
As at 31 December 2012	**67,516**	**20,109**	**14,350**	**74,886**	**14,676**	**7,870**	**199,407**
Accumulated Depreciations							
As at 1 January 2011	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
Charge for the year	3,478	477	1,088	1,072	883	1,049	8,047
Written back on disposals	(5,434)	–	(584)	(31,054)	(1,332)	(718)	(39,122)
As at 31 December 2012	**33,224**	**5,247**	**4,085**	**68,710**	**12,513**	**4,144**	**127,923**
Carrying amount							
As at 31 December 2012	**34,292**	**14,862**	**10,265**	**6,176**	**2,163**	**3,726**	**71,484**
As at 31 December 2011	16,254	15,339	1,100	8,963	2,844	2,486	46,986

(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.

17. PREPAID LAND LEASE PAYMENTS

	The Group and the Company	
	2012	2011
	RMB'000	*RMB'000*
Cost		
As at 1 January and 31 December	**2,836**	2,836
Accumulated amortisation		
As at 1 January	**550**	493
Charge for the year (Note 10)	**56**	57
As at 31 December	**606**	550
Carrying amount		
As at 31 December	**2,230**	2,286

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

18. GOODWILL

	2012	2011
	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 2011 and 2012 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:

	2012	2011
	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

18. GOODWILL (continued)

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.

Key assumptions used for value-in-use calculation are:

	2012	2011
	%	%
Gross margin	**28 to 63**	45 to 51
Growth rate	**5 to 7**	11 to 16
Discount rate	**11**	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 2012 and 2011.

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 RMB'000	The Company RMB'000
Advertising rights		
Cost:		
At 1 January 2011, 31 December 2011 and 2012	4,540	2,040
Accumulated amortisation:		
At 1 January 2011	1,965	811
Charge for the year (Note 10)	233	108
At 31 December 2011	2,198	919
Charge for the year (Note 10)	233	108
At 31 December 2012	2,431	1,027
Carrying amount:		
At 31 December 2012	**2,109**	**1,013**
At 31 December 2011	**2,342**	**1,121**

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	
	2012 *RMB'000*	2011 *RMB'000*
Unlisted investments, at cost	**50,733**	56,897
Less: impairment loss	**(4,499)**	(5,959)
	46,234	50,938
Amounts due from subsidiaries	**122,684**	69,422
Amounts due to subsidiaries	**(98)**	(6,368)

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

Amounts due from subsidiaries included a dividend receivable of RMB23,307,000 from a subsidiary.

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

Particulars and details of the Company's subsidiaries as at 31 December 2012 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. (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
Nanjing Dahe Colour Printing Co., Ltd. (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 (南京大賀傳媒培訓中心)	PRC	Limited liability company	100	100%	100%	–	Provision of training services
Nanjing Millennium Ankang International Media Co., Ltd. (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 Ankang Technology Co., Ltd (南京安康科技有限公司)	PRC	Limited liability company	43,000	51%	–	51%	Design, production, and dissemination of advertisement on and franchising of the "Ankang Advertising Board"
Nanjing Ultralon Investment Management Co., Ltd. (南京歐特龍投資管理有限公司)	PRC	Limited liability company	5,000	90%	90%	–	Investment holding

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)	Group's effective interest	Proportion of ownership interest Directly	Proportion of ownership interest Indirectly	Principal activities
Shanghai Dahe Yasi Advertising Co., Ltd. (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 1) (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: 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.

Note 2: 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 have 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
Jiangsu Sina Information Services Ltd. (Note 1) (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

	2012 RMB'000	2011 RMB'000
Unlisted shares, at cost	**1,700**	1,700
Share of results	**(453)**	(132)
Share of net assets	**1,247**	1,568

21. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

	2012 *RMB'000*	2011 *RMB'000*
Non-current assets	**802**	22
Current assets	**8,206**	5,314
Current liabilities	**(5,340)**	(722)
Net assets	**3,668**	4,614
Income	**6,207**	—
Expenses	**(7,152)**	(386)
Loss before income tax	**(945)**	(386)
Income tax	**—**	—
Loss after income tax	**(945)**	(386)
Share of results of a jointly controlled entity for the year	**321**	132

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

Note 1: The English translation of company name is for reference only. The official name of this company is in Chinese.

22. INVENTORIES

	The Group		The Company	
	2012 *RMB'000*	2011 *RMB'000*	**2012** *RMB'000*	2011 *RMB'000*
Raw materials	**5,233**	5,907	**2,337**	2,741
Work in progress	**45**	51	**—**	—
Finished goods	**3,004**	1,220	**2,356**	572
	8,282	7,178	**4,693**	3,313

23. TRADE AND NOTE RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**292,522**	243,647	**164,656**	157,934
Allowance for bad and doubtful debts	**(80,871)**	(54,567)	**(51,743)**	(36,022)
	211,651	189,080	**112,913**	121,912
Note receivables	**402**	600	**302**	500
	212,053	189,680	**113,215**	122,412

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**37,542**	56,864	**16,710**	44,237
Between 2 to 3 months	**42,705**	32,731	**21,041**	19,843
Between 4 to 6 months	**32,041**	28,876	**13,655**	17,709
Between 7 to 12 months	**36,251**	24,518	**17,821**	10,224
Between 1 to 2 years	**46,348**	36,169	**32,412**	25,371
Between 2 to 3 years	**17,166**	10,522	**11,576**	5,028
	212,053	189,680	**113,215**	122,412

(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.

23. TRADE AND NOTE RECEIVABLES (continued)

(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	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**54,567**	38,035	**36,022**	26,423
Written off	**(964)**	(164)	**(738)**	(65)
Impairment loss recognised (Note 10)	**27,519**	16,696	**16,459**	9,664
Disposal of subsidiaries	**(251)**	—	**—**	—
At 31 December	**80,871**	54,567	**51,743**	36,022

The Group's and the Company's trade receivables of RMB80,871,000 and RMB51,743,000 (2011: RMB54,567,000 and RMB36,022,000) 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 RMB80,871,000 andRMB51,743,000 (2011: RMB54,567,000 and RMB36,022,000) is made as at 31 December 2012. 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.

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

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Neither past due nor impaired	**79,895**	94,580
Less than 3 months	**32,041**	27,047
Between 4 to 6 months	**18,075**	28,683
Between 7 to 12 months	**29,712**	14,353
Between 1 to 2 years	**39,053**	19,985
Between 2 to 3 years	**12,875**	4,432
	211,651	189,080

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	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other receivables	**8,762**	6,834	**5,119**	1,562
Allowance for bad and doubtful debts	**(1,187)**	(1,943)	**(934)**	(1,557)
	7,575	4,891	**4,185**	5
Deposits	**9,372**	940	**790**	215
Prepayments	**47,391**	40,133	**23,808**	15,294
	64,338	45,964	**28,783**	15,514

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

Deposits mainly represent the deposits paid in advance for the purchase of paper.

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 estimated 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.

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**1,943**	1,126	**1,557**	786
Written off	**(1,187)**	(83)	**(1,187)**	(24)
Impairment loss recognised (Note 10)	**615**	900	**564**	795
Disposal of subsidiaries	**(184)**	—	**—**	—
At 31 December	**1,187**	1,943	**934**	1,557

Included in the above impairment loss of the Group and the Company are provision for individually impaired other receivables of approximately RMB1,187,000 and RMB934,000 (2011: RMB1,943,000 and RMB1,557,000). 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 2012, 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 2012, bank deposit of RMB10,000,000 (2011: RMB34,000,000) 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	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**57,061**	38,327	**28,237**	26,647
Other payables and accruals	**8,936**	5,160	**5,488**	2,579
Deposits received	**4,019**	2,730	**3,480**	1,397
	12,955	7,890	**8,968**	3,976
	70,016	46,217	**37,205**	30,623

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	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**10,922**	17,163	**5,517**	11,456
Between 2 to 3 months	**10,519**	5,978	**6,757**	3,442
Between 4 to 6 months	**7,134**	4,385	**3,040**	3,844
Between 7 to 12 months	**15,175**	2,411	**1,427**	1,523
Between 1 to 2 years	**6,850**	2,994	**6,323**	1,793
Over 2 years	**6,461**	5,396	**5,173**	4,589
	57,061	38,327	**28,237**	26,647

27. BANK BORROWINGS

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans, unsecured	**200,000**	224,000	**195,000**	207,000
Note payables	**20,000**	68,000	**20,000**	68,000
	220,000	292,000	**215,000**	275,000

27. BANK BORROWINGS (continued)

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
On demand or within one year	**220,000**	292,000	**215,000**	275,000
More than one year but not exceeding two years	**—**	—	**—**	—
	220,000	292,000	**215,000**	275,000
Amount due within one year included in current liabilities	**220,000**	292,000	**215,000**	275,000
Amount due after one year included in non-current liability	**—**	—	**—**	—
	220,000	292,000	**215,000**	275,000

All bank borrowings are denominated in RMB.

Included in the Group's bank loans, bank loans of RMB75,000,000 (2011: RMB134,000,000) were arranged at fixed interest rate, with weighted average effective interest rate of 7.21% (2011: 7.41%). The remaining bank loans of RMB125,000,000 (2011: RMB90,000,000) were arranged at floating interest rate, with weighted average effective interest rate of 7.27% (2011: 7.43%).

Included in the Company's bank loans, bank loans of RMB75,000,000 (2011: RMB117,000,000) were arranged at fixed interest rate, with weighted average effective interest rate of 7.21% (2011: 7.29%). The remaining bank loans of RMB120,000,000 (2011: RMB90,000,000) were arranged at floating interest rate, with weighted average effective interest rate of 7.26% (2011: 7.43%).

As at 31 December 2012, the Group's bank loans of RMB200,000,000 (2011: RMB177,000,000) and the Company's bank loans of RMB195,000,000 (2011: RMB170,000,000) are guaranteed by Mr. He Chaobing, a shareholder and director of the Company, and corporate guarantees from the holding company (Note 32(f)).

Note payables outstanding as at 31 December 2012 were issued with terms of 6 months and are secured by charges over the Group's bank deposits of RMB10,000,000 (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 2011 and 2012	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 2012, 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 26 June 2012 (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. 26 June 2012); 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 2011	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
Profit and total comprehensive income for the year	—	—	24,794	24,794
Transfer between reserves	—	1,536	(1,536)	—
As at 31 December 2012	97,252	22,623	122,575	242,450

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	
	2012	2011	**2012**	2011
	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	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amount due from a former subsidiary	**892**	937	**132**	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 non-controlling 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 2012 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.

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. DISPOSALS OF SUBSIDIARIES

In December 2012, the Group entered into a sale agreement to dispose its 67% equity interest in Hebei Dahe Media Co., Ltd ("Hebei Dahe") to an independent third party for a consideration of RMB1,900,000. Hebei Dahe owned entire equity interest in 北京大賀啟航國際廣告有限公司 ("大賀啟航") at the date of disposal. Hebei Dahe and 大賀啟航 are engaged in dissemination of outdoor advertisement. The disposal was completed on 5 December 2012, the date on which the control of Hebei Dahe and 大賀啟航 was passed to the acquirer. Upon the disposal, the assets, liabilities and results of Hebei Dahe and 大賀啟航 were deconsolidated.

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.

31. DISPOSALS OF SUBSIDIARIES (continued)

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

	Note	2012 *RMB'000*	2011 *RMB'000*
Property, plant and equipment		**3,891**	13
Trade receivables		**90**	—
Inventories		**—**	1,137
Other receivables		**2,085**	206
Cash and cash equivalents		**36**	—
Trade payables		**(506)**	—
Other payables		**(3,891)**	(84)
Non-controlling interests		**(562)**	(382)
		1,143	890
Other reserves realised		**—**	363
Gain/(loss) on disposals of subsidiaries	8	**757**	(793)
Total consideration		**1,900**	460
Satisfied by:			
Cash		**1,900**	460
Net cash inflow arising on disposals:			
Cash consideration		**1,900**	460
Cash and bank balances disposed of		**(36)**	—
		1,864	460

32. RELATED PARTIES TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are 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**
大賀投資控股集團有限公司 (“Dahe Investment”)	Holding company of the Company
江蘇新浪互聯信息服務有限公司 (“Jiangsu Sina”)	A jointly-controlled entity of the Company
南京大賀裝飾工程有限公司 (“Dahe Decoration”)	A fellow subsidiary of the Company under Dahe Investment
南京會購信息科技有限公司	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
上海大喜標識有限公司	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
Hangzhou Ultralon	A related company of the Company
南京會財傳媒有限公司	A related company of the Company
江蘇微三點零信息科技有限公司	A related company of the Company

Note 1: The English translation of those companies name is for reference only. The official names of these companies are in Chinese.

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	2012 RMB'000	2011 RMB'000
Holding company			
Guarantee fee received*	(i)	**1,600**	1,200
Fellow subsidiaries			
Sales*	(ii)	**14,126**	3,022
Rental income received	(iii)	**240**	240
Construction of advertising displays paid*	(iv)	**4,761**	1,644
Purchase	(v)	**—**	243
Related companies			
Sales	(ii)	**16**	3,053

* These transactions are continuing connected transactions, in respect of which the Company has complied with the 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 (2011: 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 July 2012 to 31 December 2014. 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 not 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.

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

	2012 RMB'000	2011 RMB'000
Short term benefits	**2,088**	2,115

32. RELATED PARTIES TRANSACTIONS (continued)

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

		The Group		The Company	
	Notes	**2012**	2011	**2012**	2011
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deposit paid	(i)	**—**	30,000	**—**	30,000
Amount due from/(to) holding company	(ii)	**5,763**	(11,956)	**3,320**	1,210
		5,763	18,044	**3,320**	31,210

(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. Deposit of RMB30 million was refunded from the holding company during the year.

(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	**2012**	2011	**2012**	2011
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deposit paid	(i)	**33,977**	52,198	**33,977**	44,420
Less: impairment loss		**(2,000)**	(2,000)	**(2,000)**	(2,000)
		31,977	50,198	**31,977**	42,420
Amount due from/(to) a fellow subsidiary	(ii)	**(1,208)**	3,000	**(545)**	3,000
		30,769	53,198	**31,432**	45,420

(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/(to) a fellow subsidiary is unsecured, interest free and repayable on demand.

32. RELATED PARTIES TRANSACTIONS (continued)

(e) Amounts due from/(to) 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 2012 and 2011.

(f) As at 31 December 2012, the Group's bank loans of RMB200,000,000 (2011: RMB177,000,000) and the Company's bank loans of RMB195,000,000 (2011: RMB170,000,000) were guaranteed by Mr. He Chaobing, a shareholder and director of the Company, and corporate guarantee from the holding company (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 2012, bank borrowings of RMB50,000,000 of holding company was guaranteed by the Group and the Company (2011: RMB30,000,000).

33. OPERATING LEASE ARRANGEMENTS

(a) The Group as a lessee

	2012		2011	
	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)	**5,604**	**133,295**	5,076	87,668

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

	2012		2011	
	Land and buildings	**Outdoor Advertising displays**	Land and buildings	Outdoor Advertising displays
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within one year	**3,908**	**20,088**	4,047	34,446
In the second to fifth years inclusive	**6,039**	**38,604**	8,562	18,470
After five years	**1,480**	**36,662**	2,400	7,178
	11,427	**95,354**	15,009	60,094

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

	2012		2011	
	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)	**1,330**	**299,223**	1,655	222,150

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

	2012		2011	
	Investment properties	**Outdoor advertising displays**	Investment properties	Outdoor advertising displays
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within one year	**1,790**	**68,377**	1,790	84,507
In the second to fifth years inclusive	**6,440**	**8,831**	6,440	9,697
After five years	**5,748**	**4**	7,298	37
	13,978	**77,212**	15,528	94,241

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 ten 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 2012, the Group had capital commitment of RMB27,548,000 (2011: RMB17,967,000) contracted for 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 2012, the Group and the Company has outstanding guarantee of RMB50,000,000 (2011: RMB30,000,000) provided to the holding company for its bank borrowings (Note 32(g)). The Company has no outstanding guarantee provided to a subsidiary of the Company for its bank loans as at 31 December 2012 (2011: 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 that are covered by these guarantees, being RMB50 million.

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 25% to 37% (2011: 26% to 32%) 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 total equity.

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 20% to 30% (2011: 15% to 25%). 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:

	Notes	The Group 2012 RMB'000	2011 RMB'000
Bank borrowings	27	**220,000**	292,000
Bank balances and cash and pledged bank deposits	25	**(124,145)**	(207,335)
Net debt		**95,855**	84,665
Total equity		**354,965**	365,731
Net debt to equity ratio		**27%**	23%

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 19% (2011: 17%) and 39% (2011: 36%) of the total trade and note receivables and other receivables was due from the Group's largest customer and the five largest customers respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and note receivables and other receivables are set out in Note 23 and 24 to the financial statements.

38. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

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*
2012				
Trade payables	57,061	57,061	57,061	—
Other payables and deposits received	8,936	8,936	8,936	—
Bank borrowings	220,000	225,697	225,697	—
Amounts due to related companies	115	115	115	—
Amount due to a fellow subsidiary	1,208	1,208	1,208	—
	287,320	293,017	293,017	—
Financial guarantees issued				
Maximum amount guaranteed	—	50,000	50,000	—

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*
2011				
Trade payables	38,327	38,327	38,327	—
Other payables and deposits received	5,160	5,160	5,160	—
Bank borrowings	292,000	301,304	301,304	—
Amount due to holding company	11,956	11,956	11,956	—
	347,443	356,747	356,747	—
Financial guarantees issued				
Maximum amount guaranteed	—	30,000	30,000	—

The Company	**Carrying amount** ***RMB'000***	**Total contractual undiscounted cash flow** ***RMB'000***	**Within 1 year or on demand** ***RMB'000***
2012			
Trade payables	**28,237**	**28,237**	**28,237**
Other payables and deposits received	**5,488**	**5,488**	**5,488**
Bank borrowings	**215,000**	**220,499**	**220,499**
Amounts due to subsidiaries	**98**	**98**	**98**
Amounts due to related companies	**115**	**115**	**115**
Amount due to a fellow subsidiary	**545**	**545**	**545**
	249,483	**254,982**	**254,982**
Financial guarantees issued			
Maximum amount guaranteed	**—**	**50,000**	**50,000**

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*
2011			
Trade payables	26,647	26,647	26,647
Other payables and deposits received	2,579	2,579	2,579
Bank borrowings	275,000	283,142	283,142
Amount due to subsidiaries	6,368	6,368	6,368
	310,594	318,736	318,736
Financial guarantees issued			
Maximum amount guaranteed	–	40,000	40,000

(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 2012, 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.

38. FINANCIAL RISK MANAGEMENT (continued)

(c) Interest rate risk (continued)

Sensitivity analysis

At 31 December 2012, 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 RMB529,000 (2011: RMB383,000).

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.

(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	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets:				
Loans and receivables (including bank balances and cash and pledged bank deposits)	**367,525**	410,715	**372,695**	394,226
Available-for-sale financial assets	**52**	52	**—**	—
	367,577	410,767	**372,695**	394,226
Financial liabilities:				
Financial liabilities measured at amortised cost	**287,320**	347,443	**249,483**	310,594

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. SIGNIFICANT EVENTS

Subsequent to the end of the reporting period, the Group entered into agreement with independent third party for the proposed incorporation of an entity with limited liability, Jiangxi Dahe Media Co., Ltd ("Jiangxi Dahe"), with a registered capital of RMB2 million. Upon the incorporation, the Group will own 70% equity interest in Jiangxi Dahe. The proposed incorporation has not yet been completed as at date of this report.

41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 March 2013.

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,				
	2012	2011	2010	2009	2008
	RMB	RMB	RMB	RMB	RMB
	'000	*'000*	*'000*	*'000*	*'000*
Turnover	**454,801**	429,741	413,225	357,755	361,002
Cost of sales	**(294,322)**	(281,959)	(284,208)	(246,669)	(245,364)
Gross profit	**160,479**	147,782	129,017	111,086	115,638
Other revenue and net gains and losses	**3,748**	2,580	6,576	10,288	(14,152)
Distribution costs	**(39,012)**	(40,560)	(38,168)	(42,446)	(37,266)
Administrative expenses	**(77,460)**	(61,808)	(54,337)	(47,395)	(42,737)
Share of results of a jointly controlled entity	**(321)**	(132)	–	–	–
Finance costs	**(19,379)**	(18,680)	(11,995)	(12,588)	(14,569)
Profit before income tax	**28,055**	29,182	31,093	18,945	6,914
Income tax expense	**(15,867)**	(8,134)	(8,389)	(6,910)	(2,611)
Profit for the year	**12,188**	21,048	22,704	12,035	4,303
Attributable to:					
Owners of the Company	**8,860**	13,561	15,828	7,947	1,745
Non-controlling interests	**3,328**	7,487	6,876	4,088	2,558
	12,188	21,048	22,704	12,035	4,303

ASSETS AND LIABILITIES

	31st December,				
	2012	2011	2010	2009	2008
	RMB	RMB	RMB	RMB	RMB
	'000	*'000*	*'000*	*'000*	*'000*
Non-current assets	**253,527**	260,622	262,698	268,732	307,348
Current assets	**432,570**	488,966	353,737	346,582	355,902
Current liabilities	**(330,550)**	(383,857)	(271,894)	(289,470)	(352,917)
Net current assets	**102,020**	105,109	81,843	57,112	2,985
Non-current liabilities	**–**	–	–	(4,000)	–
Net assets	**354,965**	365,731	344,541	321,844	310,333

Note:

1. The consolidated financial information as at 31 December, 2010, 2009 and 2008 are extracted from the Company¡¦s published annual reports. The consolidated financial information of the Group as at 31 December, 2012 and 2011 are as set out on pages 45 to 47 of the annual report.