



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)



2003 Third Quarterly Report

* For identification purposes only

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sector or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of 南京大賀戶外傳媒股份有限公司 (Nanjing Dahe Outdoor Media Co., Ltd.) (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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KEY HIGHLIGHTS

- For the three months ended 30th September, 2003, sales revenue of the Group amounted to approximately RMB46.8 million, representing an increase of approximately 17.0% from the amount for the corresponding period of 2002.
- Net profit for the three months ended 30th September, 2003 amounted to approximately RMB10.7 million, representing an increase of approximately 44.4% from the amount for the corresponding period of 2002.
- The Group prudently strengthens its outdoor advertisement design and production business, and at the same time strategically develops its outdoor advertising dissemination business. During the three months ended 30th September, 2003, the Group obtained additional advertising rights of approximately 12,600 sq.m. of outdoor advertising space in cities and provinces such as Jiangsu, Anhui, Zhejiang and Beijing.
- For the three months ended 30th September, 2003, turnover from the design and production of outdoor advertising posters accounted for approximately 76.2% of the total turnover (2002: 99.9%), while turnover from the dissemination of outdoor advertisement accounted for approximately 11.0% of the total turnover (2002: nil).
- The Group further extended its business in Hangzhou and Chengdu during the period under review. 杭州歐特龍廣告有限公司 (Hangzhou Ultralon Advertising Co., Ltd.) and 成都歐特龍廣告有限公司 (Chengdu Ultralon Advertising Co., Ltd.) were established on 9th July, 2003 and 21st August, 2003 respectively.



CONSOLIDATED INCOME STATEMENT

The Board of Directors (the “Board”) of Nanjing Dahe Outdoor Media Co., Ltd. (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and the nine months ended 30th September, 2003, together with the comparative figures of the corresponding periods of 2002 as follows:

	Notes	Unaudited For the nine months ended 30th September		Unaudited For the Three months ended 30th September	
		2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Turnover	2	121,146	114,139	46,774	39,970
Cost of sales		(76,484)	(67,189)	(28,908)	(22,979)
Gross profit		44,662	46,950	17,866	16,991
Other revenue		4,715	737	3,037	106
Selling expenses		(12,941)	(14,624)	(4,422)	(5,146)
Administrative expenses		(11,891)	(10,766)	(3,853)	(4,136)
Profit from operations		24,545	22,297	12,628	7,815
Finance costs		(1,016)	(1,065)	(125)	(459)
Profit before taxation		23,529	21,232	12,503	7,356
Taxation	3	(3,545)	—	(1,862)	—
Profit before minority interests		19,984	21,232	10,641	7,356
Minority interests		31	29	23	29
Net profit for the period		20,015	21,261	10,664	7,385
Earnings per share					
— Basic (RMB)	4	3.45 cents	3.67 cents	1.84 cents	1.27 cents



Notes:

1. BASIS OF PREPARATION

These unaudited consolidated financial statements have been prepared in accordance with Hong Kong Statements of Standards Accounting Practice and accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention.

The accounting policies have been consistently applied by the Group and are consistent with those used in the 2002 audited consolidated financial statements.

All intra-group transactions have been eliminated in preparing the unaudited consolidated financial statements.

2. TURNOVER

Turnover comprises the invoiced amount of production and advertising services provided to outside customers after allowances for returns and discounts, advertising income and franchise fee income earned and is analysed as follows:-

	Unaudited For nine months ended 30th September, 2003		Unaudited For three months ended 30th September, 2003	
	RMB'000	2002 RMB'000	RMB'000	2002 RMB'000
Outdoor advertisement design and production fees				
- Printed posters	94,499	114,045	35,620	39,926
- Electronic media (LED displays)	7,809	94	3,143	44
- Sale of lamps for outdoor advertisement	6,301	—	2,879	—
Advertising income from the renting of outdoor advertising space	12,422	—	5,132	—
Franchise fee income from the franchising of "Dahe" franchised poster printing shops	115	—	—	—
	<u>121,146</u>	<u>114,139</u>	<u>46,774</u>	<u>39,970</u>

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



3. TAXATION

The provision for PRC Enterprise Income Tax ("EIT") is based on the estimated taxable income for PRC taxation purposes at the rate of taxation applicable for the year.

Pursuant to the relevant laws and regulations in the PRC, the Company, having qualified as a new and high technology enterprise and registered in a high technology zone, is exempted from PRC Enterprise Income Tax for the two years ended 31st December, 2001 and 2002. The Company shall be eligible for a preferential income tax rate of 15% in subsequent years. Accordingly, the Company is subject to income tax rate of 15% for the period ended 30th September, 2003.

Based on the local income tax regulations, profits of the Company's branches at Wuhan, Guangzhou and Shenzhen are subject to separate assessments. Taxation on Wuhan, Guangzhou and Shenzhen branches is levied based on the EIT rate of 33%, 33% and 15% on the estimated taxable income of these branches respectively.

The subsidiaries are subject to standard tax rate of 33%.

The Company did not have any significant unprovided deferred taxation.

4. DIVIDENDS

The Board did not recommend the payment of dividends for the nine months ended 30th September, 2003 (2002: Nil).

5. EARNINGS PER SHARE

The calculation of the earnings per share is based on the unaudited net profit attributable to shareholders for the three months and nine months ended 30th September, 2003 of approximately RMB10,664,000 and RMB20,015,000 respectively (three months and nine months ended 30th September, 2002: RMB7,385,000 and RMB21,261,000 respectively) and on the 580,000,000 domestic shares of the Company outstanding after the transformation into a joint stock limited company and the subdivision of shares.



6. STATEMENTS OF CHANGES IN EQUITY

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Staff welfare reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1st January, 2002	82	—	—	6,356	6,438
Net profit for the period	—	—	—	21,261	21,261
At 30th September, 2002	<u>82</u>	<u>—</u>	<u>—</u>	<u>27,617</u>	<u>27,699</u>
At 1st January, 2003	82	3,097	1,549	31,397	36,125
Net profit for the period	—	—	—	20,015	20,015
Dividends declared	—	—	—	(5,800)	(5,800)
At 30th September, 2003	<u>82</u>	<u>3,097</u>	<u>1,549</u>	<u>45,612</u>	<u>50,340</u>



MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended 30th September, 2003, the Group recorded a turnover of approximately RMB46.8 million, representing an increase of approximately 17.0% from the corresponding period of 2002. Net profit during the period amounted to RMB10.7 million, accounting for a surge of approximately 44.4% from the amount for the corresponding period of 2002.

In view of the long summer holidays during July to August, the third quarter of each year is usually not regarded as a peak season for the advertising industry. In addition, the outbreak of SARS in the first half of the year adversely affected the market environment, leading to a delay in advertising spending and affecting the Group's operations to a certain extent.

In spite of the impact of the market environment, the Group's business progressed as scheduled. Our objective is to be the leading player in the China outdoor advertising industry by consolidating our leadership in the outdoor advertising design and production business, while actively developing the outdoor media dissemination business.

The Group's outdoor advertisement design and production business recorded satisfactory growth during the period under review. Enjoying a market share of 15%, the Group continued to stay at the forefront of the industry, far outpacing its rivals, with a diverse client base that encompasses various industries such as consumer products, telecommunications, household appliances, information technologies, food and beverages, automobiles, petroleum, etc. For the three months ended 30th September, 2003, turnover from the design and production of outdoor advertisement accounted for approximately 76.2% of the total revenue (2002: 99.9%).

During the third quarter, the Group increased the efforts in developing its outdoor advertising dissemination business through the acquisition of approximately 12,600 sq.m. of additional outdoor advertising space in the form of unipoles, light bridges, as well as large-scale billboards in major cities and provinces such as Beijing, Jiangsu, Jiangxi, Zhejiang, Anhui, etc. For the three months ended 30th September, 2003, turnover from the dissemination of outdoor advertisement accounted for approximately 11.0% of the total revenue (2002: nil).



To further extend the coverage of its business network, the Company and its subsidiary, Nanjing Ultralon Investment Management Co., Ltd. (“Nanjing Ultralon”) jointly invested RMB 1.5 million to establish 杭州歐特龍廣告有限公司 (Hangzhou Ultralon Advertising Co., Ltd.) (“Hangzhou Ultralon”) on 9th July, 2003. The Group held an effective interest of 99% in the registered capital of Hangzhou Ultralon. On 21st August, 2003, the Company and Nanjing Ultralon jointly invested RMB 1 million and established another company 成都歐特龍廣告有限公司 (Chengdu Ultralon Advertising Co., Ltd.) (“Chengdu Ultralon”). The Company held an effective interest of 99% in the registered capital of Chengdu Ultralon. These two new companies will be principally engaged in the dissemination of outdoor advertisement by further developing the Group’s outdoor advertising network.

FUTURE OUTLOOK

The third quarter of 2003 carried a special meaning to the Group — the H shares of the Company were listed on the GEM Board of The Stock Exchange of Hong Kong Limited on 13 November 2003, marking an important milestone of the Group’s development. Currently, the Group’s network covers 23 cities and provinces with 5 subsidiaries and 23 branches and service centres, with about 45,000 square meters of outdoor advertising space that includes unipoles, light bridges and large scale billboards, etc. Our existing resources allow us to offer one-stop outdoor advertising solutions in an effective manner, catering to the needs of customers and enabling us to maintain our market leadership.

Looking ahead, the Group will increase its efforts in the development of outdoor advertising dissemination based on the solid foundation of its outdoor advertising design and production business. Through this business integration, the Directors believe that the Group’s revenue from the dissemination of outdoor advertisement will increase gradually, forming a new business growth driver for the Group thereby helping the Group to achieve better return to its shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period from 1st January, 2003 to 13th November, 2003 (being the date on which H shares of the Company first commenced trading on GEM), neither the Company or nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.



DIRECTORS' AND SUPERVISOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or supervisors (the "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 30th September, 2003.

DIRECTORS' AND SUPERVISOR'S INTERESTS IN SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 13th November, 2003 (being the date on which H shares of the Company first commenced trading on GEM), the interests and short positions of the Directors and the Supervisors (as if the requirements applicable to Directors under the Securities and Futures Ordinance ("SFO") had applied to the Supervisors) in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.40 to 5.58 of the GEM Listing Rules were as follows:

Name of Director/Supervisor (note 1)	Company/name of associated corporation	Capacity	Number of class of securities (note 2)	Approximate percentage of shareholding in the relevant class of securities
He Chaobing	Company	Interest of a controlled corporation (note 3)	405,200,000 domestic shares of RMB0.10 each (L)	69.86%
	南京歐特龍投資管理有限公司 (Nanjing Ultralon Investment Management Co., Ltd.) ("Nanjing Ultralon")	Interest of child under 18 years of age (note 4)	RMB500,000 in the registered capital of Nanjing Ultralon	10%
Ju Guanyu	Company	Beneficial owner	10,200,000 domestic shares of RMB0.10 each (L)	1.76%



Name of Director/Supervisor (note 1)	Company/name of associated corporation	Capacity	Number of class of securities (note 2)	Approximate percentage of shareholding in the relevant class of securities
He Lianyi	Company	Beneficial owner	6,400,000 domestic shares of RMB0.10 each (L)	1.10%
Wang Mingmei	Company	Beneficial owner	3,800,000 domestic shares of RMB0.10 each (L)	0.66%
Wang Weijie	Company	Beneficial owner	3,800,000 domestic shares of RMB0.10 each (L)	0.66%

Notes:

1. All of the persons named above are Directors, except Ms. Wang Mingmei is a Supervisor.
2. The letter "L" denotes the Director's/Supervisor's interests in such shares.
3. The interests in the domestic shares were held through 江蘇大賀國際廣告集團有限公司 (Jiangsu Dahe International Advertising Group, Co., Ltd.) ("Dahe International") which was owned as to 90% by Mr. He Chaobing.
4. The interest is attributable to Mr. He Pengjun, Mr. He Chaobing's child who will reach the age of 18 on 16th December, 2003.

Save as disclosed above, as at 13th November, 2003 (being the date on which H shares of the Company first commenced trading on GEM), none of the Directors and the Supervisors has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.40 to 5.58 of the GEM Listing Rules.



SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES IN THE COMPANY

A. Substantial shareholders

As at 13th November, 2003 (being the date on which H shares of the Company first commenced trading on GEM), the following persons/entities had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO and were directly or indirectly interested in 10 per cent. or more of the shares of the Company:

Name of shareholder	Capacity	Number and class of securities (note 1)	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the entire issued share capital of the Company (note 4)
Dahe International	Beneficial owner	405,200,000 domestic shares of RMB0.10 each (L)	69.86%	48.82%
He Chaobing	Interest of a controlled corporation (note 2)	405,200,000 domestic shares of RMB0.10 each (L)	69.86%	48.82%
Yan Fen	Interest of spouse (note 3)	405,200,000 domestic shares of RMB0.10 each (L)	69.86%	48.82%

Notes:

1. The letter "L" denotes the person's/entity's interests in the domestic shares of the Company.
2. The interest in the domestic shares were held through Dahe International which was owned as to 90% by Mr. He Chaobing.
3. Ms. Yan Fen is the wife of Mr. He Chaobing and is deemed to be interested in the shares in which Mr. He Chaobing is interested under the provision of Divisions 2 and 3 of Part XV of the SFO.
4. Domestic shares and H Shares of the Company are treated as the same class of shares for such purpose.



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

As at 13th November, 2003 (being the date on which shares of the Company first commenced trading on GEM), save for the persons/entities disclosed in sub-section A above, the following persons/entities had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Number and class of securities (note 1)	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the entire issued share capital of the Company (note 5)
Yan Jian	Beneficial owner	57,800,000 domestic shares of RMB0.10 each (L)	9.96%	6.97%
南京市高新技術風險投資股份有限公司 (Nanjing Hi-Tech Venture Capital Co., Ltd.)	Beneficial owner	50,000,000 domestic shares of RMB0.10 each (L)	8.62%	6.02%
南京市生產力促進中心 (Nanjing Productivity Enhancement Centre)	Interest of a controlled corporation (note 2)	50,000,000 domestic shares of RMB0.10 each (L)	8.62%	6.02%
江蘇南大高科技風險投資有限公司 (Jiangsu Nanda Venture Capital Co., Ltd.)	Beneficial owner	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%



Name	Capacity	Number and class of securities (note 1)	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the entire issued share capital of the Company (note 5)
南京斯威特新技術創業有限責任公司 (Nanjing SVT New Technology Venture Co., Ltd.)	Interest of a controlled corporation (note 3)	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%
南京斯威特集團有限公司 (Nanjing SVT Group Co., Ltd.)	Interest of a controlled corporation (notes 3 and 4)	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%
西安通郵科技有限公司 (Xian Tong You Technology Co., Ltd.)	Interest of a controlled corporation (notes 3 and 4)	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%

Notes:

1. The letter "L" denotes the person's/entity's interests in the domestic shares of the Company.
2. The interests in the domestic shares will be held through Nanjing Hi-Tech Venture Capital Co., Ltd., the registered capital of which is owned as to 60% by 南京市生產力促進中心 (Nanjing Productivity Enhancement Centre).
3. The interests in the domestic shares will be held through Jiangsu Nanda Venture Capital Co., Ltd., the registered capital of which is owned as to 80% by 南京斯威特新技術創業有限責任公司 (Nanjing SVT New Technology Venture Co., Ltd).
4. 南京斯威特新技術創業有限責任公司 (Nanjing SVT New Technology Venture Co., Ltd.) is owned as to 55% by 南京斯威特集團有限公司 (Nanjing SVT Group Co., Ltd.), which is in turn owned as to 94% by 西安通郵科技有限公司 (Xian Tong You Technology Co., Ltd.).
5. Domestic shares and H Shares of the Company are treated as the same class of shares for such purpose.



Save as disclosed above, no other person/entity had an interest or a short position in the shares and underlying shares of the Company as recorded on 13th November, 2003 (being the date on which H shares of the Company first commenced trading on GEM) in the register required to be kept under section 336 of the SFO.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, Guotai Junan Capital Limited ("Guotai Junan"), neither Guotai Junan nor its directors, employees or associates had any interest in the share capital of the Company as at 13th November, 2003 pursuant to Rules 6.36 and 18.63 of the GEM Listing Rules.

Pursuant to a sponsor agreement dated 13th November, 2003 entered into between the Company and Guotai Junan, Guotai Junan has been appointed as the sponsor to the Company as required under the GEM Listing Rules for a fee from 13th November, 2003 to 31st December, 2005.

COMPETING INTERESTS

None of the Directors, the management 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 with the businesses of the Group nor any other conflicts of interest which has or may have with the Group.



AUDIT COMMITTEE

The Company established an audit committee on 23rd October, 2003 with written terms of reference in compliance with the requirements set out in Rules 5.23 and 5.24 of the GEM Listing Rules. The audit committee comprise four independent non-executive directors of the Company, namely, Mr. Qiao Jun, Mr. Cheng Zhiming, Mr. Li Yijing and Mr. Shen Jin. The audit committee has reviewed the unaudited consolidated financial statement for the nine months ended 30th September, 2003.

By Order of the Board
Nanjing Dahe Outdoor Media Co., Ltd.
He Chaobing
Chairman

Hong Kong, 14th November, 2003