



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



2004 First Quarterly Report

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.

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.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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.*

** For identification purpose only*



HIGHLIGHTS

- For the three months ended 31st March, 2004, the Group recorded a turnover of approximately RMB35.34 million, up by approximately 8.57% over the corresponding period in 2003. Net profit for the period amounted to approximately RMB2.83 million, up by approximately 11.33% over the corresponding period of last year.
- The Group's turnover was mainly derived from the design and production of outdoor advertisement, as well as revenue from dissemination of outdoor advertisement, which accounted for approximately 66.84% (2003: 90.08%) and 33.16% (2003:9.92%) of the total turnover respectively, while newly formed outdoor advertising media, such as LED electronic screen, multi-media advertising system, accounted for approximately 6.66% of the total turnover.
- While consolidating its spray painting production business, the Group actively explored for outdoor media dissemination business, and provided a "one-stop" service in the provision of design, production and dissemination to customers. During the period ended 31st March, 2004, the Group secured new outdoor media and dissemination rights with a space of approximately 19,000 sq.m. in Beijing, Xinjiang, Chengdu, Jiangxi, Hangzhou, Kunming, Jiangsu, and further consolidated the Group's leading position in the outdoor advertising industry in the PRC.



CONSOLIDATED PROFIT AND LOSS

The Board of Directors (“Board”) of Nanjing Dahe Outdoor Media Company Limited (the “Company”) is pleased to announce herewith the unaudited consolidated results of the Company and its subsidiaries (collectively as the “Group”) for the three months ended 31st March, 2004, together with the comparative figures of the corresponding period of 2003 as follows:

	Note	Unaudited	
		For the three months ended	
		2004	2003
		RMB'000	RMB'000
Turnover	2	35,340	32,553
Cost of sales		(23,590)	(21,843)
Gross profit		11,750	10,710
Other revenue		463	973
Distribution and selling costs		(4,306)	(4,361)
Administrative expenses		(4,329)	(4,099)
Profit from operations		3,578	3,223
Finance costs		(295)	(224)
Profit before taxation		3,283	2,999
Taxation	3	(499)	(464)
Profit before minority interest		2,784	2,535
Minority interests		45	6
Net profit for the period		2,829	2,541
Earnings per Share			
Basic (RMB)	4	0.0034	0.0044



Notes to the Financial Statements:

1. PRINCIPLES OF REPORTING

The unaudited consolidated results have been prepared in accordance with Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants and the accounting principles generally accepted in Hong Kong.

The accounting policies adopted in the unaudited consolidated results is consistent with those adopted in the consolidated financial statements of the Group for the year ended 31st December, 2003.

All significant intercompany transactions and balances between group enterprises are eliminated on the preparation of 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 and advertising income earned and is analysed as follows:-

	Unaudited	
	For the three months ended 31st March	
	2004	2003
	RMB'000	RMB'000
Outdoor advertisement design and production fees		
- Printed posters	21,453	24,299
- Electronic media (LED displays)	72	3,441
- Sale of lamps for outdoor advertisement	2,096	1,583
Outdoor advertising space	11,719	3,230
	<hr/>	<hr/>
	35,340	32,553
	<hr/> <hr/>	<hr/> <hr/>

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 EIT for the two years ended 31st December, 2001 and 2002. Thereafter, the Company is eligible for a preferential income tax rate of 15% for subsequent years. Accordingly, the Company is subject to income tax rate of 15% for the three months ended 31st March, 2004.

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

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

The Group did not have any significant unprovided deferred taxation.

4. DIVIDEND

The Board does not recommend payment of interim dividend for the three months ended 31st March, 2004 (2003: Nil).

5. EARNINGS PER SHARE

The calculation of the earnings per Share as at 31st March, 2004 is based on the net profit of RMB2,829,000 for the three months ended 31st March, 2004, divided by 830,000,000 Shares after the capitalisation issue and sub-division. The calculation of the basic earnings per Share as at 31st March, 2003 is based on the net profit of RMB2,541,000 for the three months ended 31st March, 2003, divided by 580,000,000 Shares after the capitalisation issue and sub-division.



6. RESERVES

	Share premium RMB'000	PRC Statutory funds		Retained profits RMB'000	Total RMB'000
		Statutory surplus reserve RMB'000	Staff welfare reserve RMB'000		
At 1st January, 2003	82	3,097	1,549	31,397 ^(a)	36,125
Net profit for the period	—	—	—	2,541	2,541
At 31st March, 2003	82	3,097	1,549	33,938	38,666
New issue of H shares on public listing	116,324	—	—	—	116,324
Share issue expenses	(20,661)	—	—	—	(20,661)
Net profit for the period	—	—	—	21,959	21,959
Dividend declared and paid	—	—	—	(5,800)	(5,800)
Transfer	—	2,953	1,476	(4,429)	—
At 1st January, 2004	95,745	6,050	3,025	45,668 ^(b)	150,488
Net profit for the period	—	—	—	2,829	2,829
At 31st March, 2004	95,745	6,050	3,025	48,497	153,317

- (a) As at 31st December, 2002, proposed final dividend and retained profits net of dividends were RMB5,800,000 and RMB25,597,000 respectively.
- (b) As at 31st December, 2003, proposed final dividend and retained profits net of dividends were RMB6,682,000 and RMB38,986,000 respectively.



MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended 31st March, 2004, the Group recorded a turnover of approximately RMB35.34 million, up by approximately 8.57% over the corresponding period in 2003. Net profit recorded during the period amounted to approximately RMB2.83 million, up by approximately 11.33% over the corresponding period of last year.

As the first quarter in every year coincides with the Chinese Lunar New Year, which is a low season for the advertising industry, it has therefore caused certain impact on the Group's operations. Nevertheless, the Group's turnover still experienced a growth of approximately 8.57% over the corresponding period of last year, which has laid down a good foundation for the progress of the business development plan of this year.

During the first quarter, the Group's outdoor advertising design, production and dissemination business obtained good results. For the three months ended 31st March, 2004, turnover derived from outdoor advertising design and production business accounted for approximately 66.84% of the total turnover (2003: 90.08%). Due to the trend in the unit pricing of the production business as a whole was on the downside, revenue fell by 15.46% as compared with the corresponding period of last year. At present, the Group maintained 6,000 customers from different industries, including consumer products, telecommunication, households appliances, information technology, food and beverages, automobile and petroleum etc. At the same time, targeting on the demands of customers, the Group focussed in the exploration of high-end customer groups, and relied on upgraded sales network to provide a "one-stop" service in design, production and dissemination to customers.

During the period under review, the Group continued to strengthen outdoor advertising media dissemination, and obtained new outdoor advertising dissemination rights for a space of about 19,000 sq.m. in Beijing, Xinjiang, Chengdu, Jiangxi, Hangzhou, Kunming, Jiangsu respectively. Majority of such dissemination right spaces are located in the central districts of cities or along the national trunk routes and expressways. While the Group will use its endeavour to consolidate its productions, efforts were also made to develop outdoor media. Hence, upon the listing of the Group, space for outdoor dissemination rights rapidly expanded through the application of proceeds. The proportion of incomes from outdoor media dissemination business significantly increased. For the three months ended 31st March, 2004, turnover derived from outdoor media dissemination business accounted for approximately 33.16% of the total turnover (2003:9.92%), up by 2.6 times over the corresponding period of last year.



As the Group's LED electronic multi-media advertising system project is still in its experimenting stage, during the three months ended 31st March, 2004, turnover derived from LED electronic media business represented approximately 0.2% of the total turnover (2003: 10.57%), down by 98.11% over the corresponding period of last year.

At the same time, during the period under review, the Group has received recognition and awards from organisations in the industry successively. On 10th March, 2004, in the "Working Meeting on Further Expediting the Development of Privately-owned Business in Nanjing (《南京市進一步加快發展民營經濟工作會議》)", the Group was being applauded, and in the four awards granted, the Group has the honour to obtain three of them, which are the Industrial Input Advanced Private Enterprise (工業投入先進私營企業), Tax Paying Advanced Private Enterprise (納稅先進私營企業), Advanced Private Enterprise in the Promotion of Re-employment (促進再就業先進私營企業), and was the only advertisement company among the private enterprises to receive such awards, and one of the two units obtaining three awards. In the nationwide industrial assessments organised by the National Advertising Association (「全國廣告行業文明單位」), the Group won the Medal of "National Advertising Civilized Unit (「全國廣告行業文明單位」)", and Mr. He Chaobing as the Chairman of the Group was accredited with the glorious tile of "Top Ten Advertising Manager of China (「十大廣告經理人」)". In the "Working Meeting of Privately-owned Business for the Province (全省民營經濟工作會議)" convened by the Communist Party Jiangsu Provincial Committee Office, the Group again won the honorary title of Jiangsu Province Excellent Civil Enterprise (江蘇省優秀民營企業光榮稱號) .

The Group's outdoor advertising design and production business has also obtained satisfactory development, and has been repeated granted with awards. The Group's business is comprehensive, covering the media production sector, spray painting, photography, digital printing, electronic screen, lighting production. Its production of spray painting has an annual capacity of 8 million sq.m., and was accredited by the Overseas Chinese News in US (美國僑報) as "Digital model enterprise with highest technological contents in Asia (亞洲科技含量最高的數碼典範企業)" and is the leading enterprise in spray painting production in the PRC. At the same time, the Group has also the "Star of China (中國之星)" Design Gold Medal and "Star of The World (世界之星)" PRC Nomination Prize issued by China Packaging Association (中國包裝協會), symbolizing the highest honour in the advertisement design sector. The Group obtained the Gold Medal for Outdoor Advertising in the 10th Advertising Festival in China, and has now secured outdoor advertising media in all the major cities nation wide, and has initially become an outdoor advertising integrated solution provider.



OUTLOOK

In order to achieve its position as one of the largest “one-stop” outdoor media enterprise in the PRC, and provide value-added and quality design, production, dissemination services to customers, the Group will be dedicated in consolidating its outdoor advertising design and production business, and will fully capitalise in the existing business network to continue in strengthening the construction of its business platform. Quality will improve and scale of assets will expand. The system of corporate governance will strengthen with an aim to establish a modern system. The Group will seek to become one of the largest outdoor advertising service providers in the PRC, for the purposes of realizing its development objectives.

Looking into future, by consolidating the existing business, the Group will rapidly enhance its share in large outdoor advertising media and explore media network distributions through various means as organic growth and acquisition. Through the integration of advantageous resources, the proportion of operating revenue from outdoor media dissemination will be increasingly higher. Outdoor advertising dissemination will become an important profit center of the Group in future, and will bring good returns to the shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Other than in connection with issue of H shares on the GEM, the Group and the Company did not purchase, sell or redeem any of its listed securities during the period.

DIRECTORS’ AND SUPERVISOR’S 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 31st March, 2004.



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

As at 31st March, 2004, 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%
Ju Guanyu	Company	Beneficial owner	10,200,000 domestic shares of RMB0.10 each (L)	1.76%
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 (Jiangsu Dahe International Advertising Group, Co., Ltd.) ("Dahe International") which was owned as to 90% by Mr. He Chaobing.

Save as disclosed above, as at 31st March, 2004 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 31st March, 2004, the following persons/entities had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO and were directly or indirectly interested in 10% or more of the shares of the Company:

Name of shareholder	Capacity	Number and class of securities (note 1)	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the 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 31st March, 2004, 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 (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 (Nanjing SVT New Technology Venture Co., Ltd.).
4. (Nanjing SVT New Technology Venture Co., Ltd.) is owned as to 55% by (Nanjing SVT Group Co., Ltd.), which is in turn owned as to 94% by (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 31st March, 2004 in the register required to be kept under section 336 of the SFO.

SPONSORS' INTEREST

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 31st March, 2004 pursuant to Rules 6.36 and 18.63 of the GEM Listing Rules.

Pursuant to a sponsor agreement dated 13th November, 2003 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 INTEREST

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, either directly or indirectly, with the businesses of the Group nor any 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 Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company. The audit committee comprises four independent non-executive directors, Mr Qiao Jun, Mr Cheng Zhiming, Mr Li Yijing and Mr Shen Jin. Its chairman is Mr. Qiao Jun. The audit committee has held one meeting since its formation.

By Order of the Board
He Chaobing
Chairman and executive director

Nanjing, the PRC
13th May, 2004