



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)



* For identification purposes only

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The directors of Dahe Media Co., Ltd. collectively and individually accept full responsibility of this report. This report includes particulars given in compliance with the GEM Listing Rules of the Stock Exchange of Hong Kong 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 (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) 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.



HIGHLIGHTS

- For the three months ended 31 March 2006, the Group's turnover was approximately RMB86,370,000, up 44% from the same period last year.
- For the three months ended 31 March 2006, the Group's profit attributable to shareholders was approximately RMB3,420,000, up 13.6% from the same period last year.
- The Group does not recommend the payment of a dividend for the three months ended 31 March 2006 (2005: nil).
- The Group's turnover was mainly generated from media dissemination and media production. The income from the media dissemination and media production businesses accounted for approximately 69.30% and 30.70% of the total turnover respectively (2005: 55.66% and 44.34%).
- While consolidating its existing operations, the Group has been actively developing the new media business and has begun to enter the TV media area.



CONSOLIDATED PROFIT AND LOSS STATEMENT

The Board of Directors ("Board") of Nanjing Dahe Outdoor Media Co., Ltd. (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the three months ended 31st March, 2006, together with the comparative figures for the corresponding period in 2005 as follows:

		Unaudited For the three months ended 31 March	
	Notes	2006 RMB'000	2005 RMB'000
Turnover	2	86,367	59,871
Cost of sales		(66,199)	(42,652)
Gross profit		20,168	17,219
Other incomes		(13)	495
Distribution and sales cost		(7,077)	(5,022)
Administrative expenses		(8,054)	(6,172)
Profit from operations		5,024	6,520
Financial cost		(1,677)	(2,326)
Profit before taxes		3,347	4,194
Taxation	3	(617)	(679)
Profit before minority interests		2,730	3,515
Minority interests		692	(502)
Net profit for the period		3,422	3,013
Earning per Share			
Basic (RMB)	4	0.41 cents	0.36 cents



NOTES TO THE FINANCIAL STATEMENT:

1. BASIS OF PRESENTATION

The unaudited consolidated results have been prepared in accordance with the applicable Statements of Standard Accounting Practice and the accounting principles generally accepted in Hong Kong issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies adopted in the unaudited consolidated results are in line with those adopted in the preparation of the consolidated financial statements of the Group for the year ended 31st December, 2005.

All intra-group transactions and balances have been eliminated upon the preparation of the unaudited consolidated financial statements.

2. TURNOVER

Turnover included sales value from production and provision of advertising services to external customers net of returns and discounts and allowances, advertising incomes and incomes from franchise operations. Breakdown of turnover are as follows:

	Unaudited For the three months ended 31 March	
	2006 RMB'000	2005 RMB'000
Design and production expenses for advertising	26,516	26,544
Advertising incomes from the leasing of advertising spaces of which: TV media	59,851 18,622	33,327 —
	<u>86,367</u>	<u>59,871</u>

The Group's turnover and profits from operations were all derived from the single business of provision of advertising services in the PRC. Accordingly, no breakdown by business segments or by geographical areas were provided.



3. TAXATION

Provision for PRC Enterprise Income Tax ("EIT") has been calculated in accordance with the applicable tax rates for the relevant year based on the taxable incomes (in respect of PRC taxes).

Pursuant to the relevant laws and regulations of the PRC, as the Company is a qualified High Technology Enterprise, and was registered in the High Technological Zone, the Company was therefore entitled to an exemption on the PRC EIT for the two years ended 31st December, 2001 and 2002. Thereafter, the Company was entitled to enjoy a preferential income tax rate of 15%. Therefore, for the period ended 31st March, 2006, the Company was subject to an income tax rate of 15%.

Under the local income tax regulations, profits from the Company's branches in Shanghai, Jiangxi, Wuhan, Guangzhou and Shenzhen are subject to independent assessments, and the relevant authorities will charge the EIT at the tax rates of 33%, 33% and 15% respectively basing on the anticipated taxable incomes of the Shanghai, Jiangxi, Wuhan, Guanzhou and Shenzhen branches.

Subsidiaries are subject to a standard tax rate of 33%.

The Company has no significant un-provided deferred taxes.

4. DIVIDENDS

The Board does not recommend distribution of interim dividends for the three months ended 31st March, 2006 (2005: Nil).

5. EARNINGS PER SHARE

Basic earnings per Share as at 31st March, 2006 was based on the net profit for the three months ended 31st March, 2006 of RMB3,420,000, divided by 830,000,000 Shares in issue after the conversion of the Company into a joint stock limited company.



6. RESERVES

	Capital common reserve fund RMB'000	Statutory common reserve fund RMB'000	Statutory public welfare fund RMB'000	Retained profits RMB'000	Total RMB'000
As at 1st January 2005	95,914	8,395	4,197	53,945	162,451
Net profit for the period	—	—	—	3,013	3,013
As at 31st March 2005	95,914	8,395	4,197	56,958	165,464
Addition	—	—	—	—	—
Net profit for the period	—	—	—	16,860	16,860
Dividends declared and paid	—	—	—	(6,683)	(6,683)
Appropriation	—	2,419	1,210	(3,629)	—
As at 1st January 2006	95,914	10,814	5,407	63,506	175,641
Dividends declared	—	—	—	—	—
Net profit for the period	—	—	—	342	342
As at 31st March 2006	<u>95,914</u>	<u>10,814</u>	<u>5,407</u>	<u>63,848</u>	<u>175,983</u>



MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended 31 March 2006, the Group's turnover was approximately RMB86,370,000, up 44% from the same period last year. During the year, the net profit was approximately RMB3,420,000, up 13.6% from the same period last year. The income generated from the media dissemination and media production businesses accounted for approximately 69.3% and 30.7% of the total turnover respectively (2005: 55.66% and 44.34%). Earnings per share rose to RMB0.41 (2005: RMB0.36).

During the period under review, the turnover derived from leasing outdoor advertising spaces was approximately RMB41,230,000 (2005: RMB33,330,000), up 23.70% from the same period last year. Through resource expansion and operation for a few years, the Group has established its leading position in the China outdoor media market.

For the three months ended 31 March 2006, the Group had own media resources of more than 170,000 square metres and integrated media resources of approximately 33,000 square metres. During the period, the average launching rate for the Group's outdoor media was approximately 66%.

During the period under review, the Group has extended its media dissemination business to more than 50 cities in China, mainly including Beijing, Shanghai, Chongqing, Nanjing, Shenzhen, Guangzhou, Xian, Wuhan, Hanzhou and Urumqi.

As at 31 March 2006, the Group's turnover for the media production business reached RMB26,520,000, representing approximately 30.70% (2005: 44.34%) of the total turnover, basically in line with the level in 2005. As the largest media production company in China, the Group has established its leading position by occupying a market share of 15% over the years.

During the period, the Group has officially entered the TV media area. As at 31 March 2006, the Group's turnover for its TV media business reached RMB18,620,000. Nanjing Jinxin Media Co., Ltd., a company established by the Group's subsidiary, Nanjing Ultralon Investment Management Co., Ltd., has become the advertising agent for 2006 of the city channel "Nanjing Zero Distance (南京零距離)" (a TV news programme with the highest value in China) of Jiangsu Broadcasting and Television Station and bought all advertising time of the programme for 2006.



During the period under review, the Group has adjusted its new positioning with a view to striving to become a leading intelligent integrated media group through efforts over the next three years. To this end, the Group has made various adjustments and separated the function of business operation from the investment management function of the headquarters. Besides, the Group has created two model operating groups, namely the media group and the dissemination and production group, in accordance with its business features so as to develop high-end customers and to be in line with the services offered by international 4A companies. During the period, the Group recruited various Chinese and foreign professionals to join the Group and appointed Mr. Huang Chengfa, former first CEO for Greater China of 傳立廣告集團, as COO of the Group. The Group believes that upon joining, Mr. Huang Chengfa will bring with him new internationalization management concepts, thus allowing Dahe Group to become a domestic internationalized media group as early as possible.

In addition, during the period, the Group has signed contracts with various important customers, including Golden Eagle International (金鷹國際) and Nanjing Automobile Group. The Company signed a brand agency agreement with Yuejin Company, a subsidiary of Nanjing Automobile Group. This has further demonstrated the integrated strength of the Group in brand planning and marketing.

During the period, the Group was elected “National Advertising Civilized Unit” for the 2004/2005 year at the “Strive To Be A Spiritual Civilized Advertising Unit (爭創廣告行業精神文明先進單位)” event organized by China Advertising Association. The Group was also elected one of “Top 10 Community Private Enterprises in Nanjing for 2005 (2005年度南京十大公益民營企業)”. The Group’s Chairman, Mr. He Chaobing, and Director, Chan E Nam Viveca, were also elected “Top 10 Persons with Remarkable Contribution in the China Advertising Industry (中國廣告業25年十大突出貢獻人物)”.



OUTLOOK

Facing an increasingly competitive environment, the Group will progressively penetrate the TV media and printed media areas while maintaining steady development. On one hand, the Group will cooperate with international companies to learn advanced management experience, recruit talents of various levels and strengthen the corporate governance system to improve corporate management quality. On the other hand, on the basis of the construction of a business platform in Jiangsu, the Group will actively develop the Beijing, Shanghai and Guangzhou markets. It will consider developing new media to create a multi-category and diversified business model and strive to become a leading domestic media operator in China with innovative thinking.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Group and the Company did not purchase, sell or redeem any of its listed securities 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 31st March, 2006.

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

As at 31st March, 2006, 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%
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 who 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.

Save as disclosed above, as at 31st March, 2006 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, 2006, 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 5% 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, 2006, 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 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 5)
Yan Jian	Beneficial owner	57,800,000 domestic shares of RMB0.10 each (L)	9.96%	6.97%
		14,000,000 domestic shares of RMB0.10 each (S)	2.41%	1.69%
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 3)	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 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 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 4)	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 4 and 5)	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 4 and 5)	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%
Martin Currie China Hedge Fund Limited	Investment fund manager	37,500,000 H shares of RMB0.10 each (L)	15%	4.52%
Commerzbank Aktiengesellschaft	Beneficial owner	15,000,000 H shares of RMB0.10 each (L)	6%	1.81%



Notes:

1. The letter "L" denotes the person's/entity's long position interests in the domestic shares of the Company.
2. The letter "S" denotes the person's/entity's short position interests in the domestic shares of the Company.
3. 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).
4. 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).
5. 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.).
6. 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 December, 2005 (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 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, 2006 pursuant to Rules 6.36 and 18.63 of the GEM Listing Rules.

Pursuant to an agreement dated 13th November, 2003 between the Company and Guotai Junan, Guotai Junan has been appointed as the adviser 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 comprise four independent non-executive directors, Mr Qiao Jun, Mr Cheng Zhiming, Mr Li Yijing and Mr Shen Jin.

By Order of the Board
He Chaobing
Chairman and executive director

Nanjing, the PRC
12th May, 2006