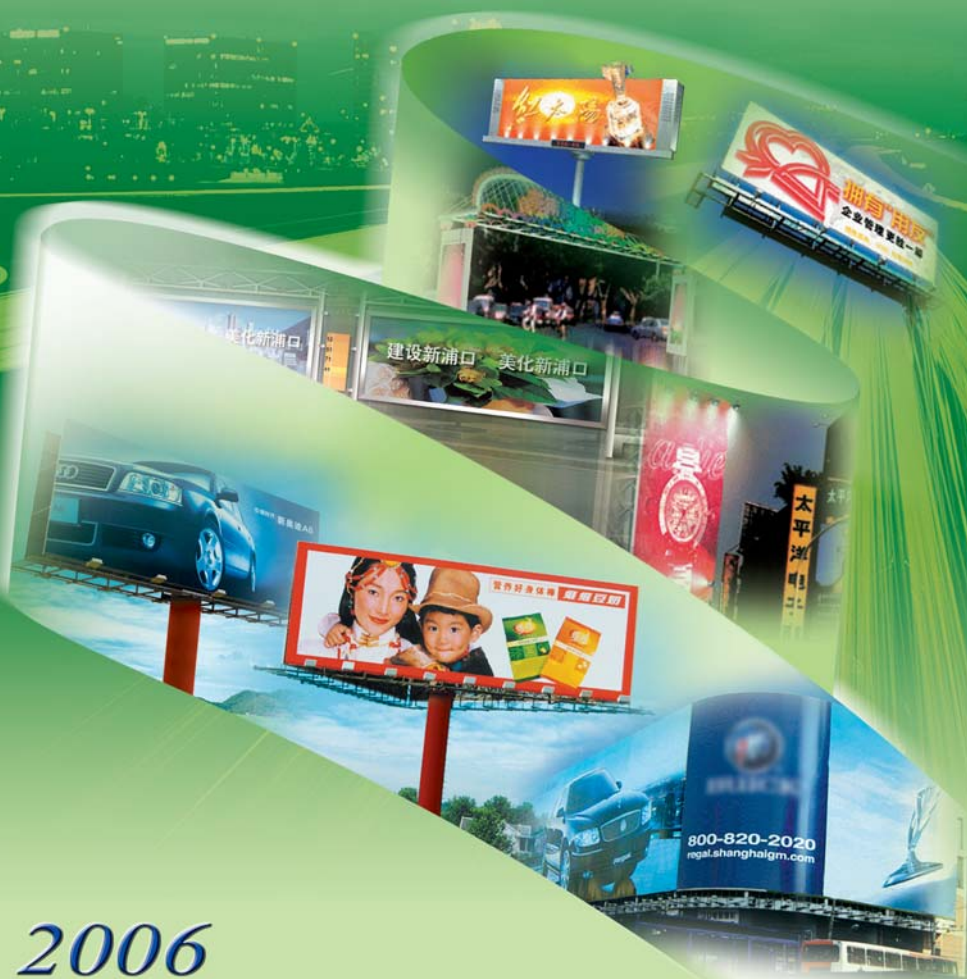




大賀傳媒股份有限公司 DAHE MEDIA CO., LTD.*

(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)



2006 INTERIM 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.

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 of Hong Kong Limited 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.

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 Limited 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 six months ended 30th June, 2006, the Group achieved a turnover of approximately RMB192,580,000, representing an increase of approximately 42% as compared with the corresponding period of last year.
- For the six months ended 30th June, 2006, the Group achieved a total profit of approximately RMB11,530,000, realizing net profit of approximately RMB11,210,000, representing an increase of approximately 22% as compared with the corresponding period of last year.
- The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June, 2006 (2005: Nil).



CONSOLIDATED PROFIT AND LOSS STATEMENT

The Board of Directors (“Board”) of Dahe Media Co., Ltd. (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30th June, 2006, together with the comparative figures for the corresponding period in 2005 as follows:

	Note	Unaudited	Unaudited	Unaudited	Unaudited
		For the three months ended 30th June 2006	2005	For the six months ended 30th June 2006	2005
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover		106,210	75,524	192,577	135,396
Cost of sales		(80,459)	(51,196)	(146,658)	(93,848)
Gross profit		25,751	24,328	45,919	41,547
Other revenue		(3)	(656)	(16)	(160)
Distribution and selling costs		(7,136)	(5,471)	(14,213)	(10,493)
Administrative expenses		(8,106)	(7,355)	(16,160)	(13,528)
Profit from operations		10,506	10,846	15,530	17,366
Finance costs		(2,321)	(2,321)	(3,998)	(4,647)
Profit before taxation		8,185	8,526	11,532	12,720
Taxation		(1,314)	(776)	(1,931)	(1,455)
Net profit before minority interests		6,871	7,750	9,601	11,264
Minority interests		916	(1,555)	1,608	(2,057)
Net profit attributable to shareholders		7,787	6,194	11,209	9,207
Earnings per share					
— Basic		0.94 cents	0.75 cents	1.35 cents	1.11 cents

Note: Calculation of the earnings per share in 2005 and 2006 was based on 830,000,000 shares and 830,000,000 shares respectively.



CONSOLIDATED BALANCE SHEET

	Unaudited As at 30th June, 2006 RMB'000	Audited As at 31st December, 2005 RMB'000
Note		
Non-current assets		
Property, plant and equipment	112,892	210,100
Construction in progress	2,661	4,241
Intangible assets	103,706	24,589
Interest in an associate	12,957	14,317
Finance lease receivables	—	—
	232,216	234,689
Current assets		
Inventories	15,556	12,080
Trade and note receivables	106,659	107,590
Deposits, prepayments and other receivables	58,529	64,306
Cash and bank balances	114,352	102,830
Other current assets	18,577	11,681
	313,673	286,806
Current liabilities		
Bank loans	189,000	155,000
Trade and note payables	16,022	13,535
Other payables, advanced payment and accruals	4,907	11,573
Deferred advertising income	15,079	18,640
Provisions for tax and levies	4,989	3,949
Amount due to a related company	151	2,131
	230,148	204,828
Net current assets	83,525	81,978
Total assets less current liabilities	315,741	316,667
Non-current liabilities		
Other payables	15,200	25,400
Minority interests	30,691	32,626
Net assets	269,850	258,641
Capital and reserves		
Share capital	83,000	83,000
Reserves	186,850	175,641
	269,850	258,641
Shareholders' funds	269,850	258,641



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Staff welfare reserve RMB'000	Retained profits RMB'000	Total reserves RMB'000	Total RMB'000
At 1st January, 2005	83,000	95,914	8,395	4,197	53,945	162,451	245,451
Profit for the period	—	—	—	—	9,207	—	—
Increment	—	—	—	—	—	—	—
Dividend declared and paid for the period	—	—	—	—	—	—	—
At 30th June, 2005	83,000	95,914	8,395	4,197	63,152	171,658	254,658
Dividend declared and paid for the period	—	—	—	—	(6,683)	(6,683)	—
Net Profit for the period	—	—	—	—	10,666	10,666	—
Transfer	—	—	2,419	1,210	(3,629)	—	—
At 31st December, 2005	<u>83,000</u>	<u>95,914</u>	<u>10,814</u>	<u>5,407</u>	<u>63,505</u>	<u>175,641</u>	<u>258,641</u>
Profit and loss from the previous year	—	—	—	—	—	—	—
Profit for the period	—	—	—	—	11,209	11,209	—
Dividend declared and paid for the period	—	—	—	—	—	—	—
At 30th June, 2006	<u>83,000</u>	<u>95,914</u>	<u>10,814</u>	<u>5,407</u>	<u>74,715</u>	<u>186,850</u>	<u>269,850</u>



CONSOLIDATED CASH FLOW STATEMENT

	Unaudited As at 30th June, 2006 RMB'000	Audited As at 31st December, 2005 RMB'000
Cash flows from operating activities	6,942	2,547
Cash flows from taxation	(1,427)	(3,893)
Cash flows from investing activities	(32,996)	(60,445)
Cash flows from financing activities	39,003	41,036
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	11,522	20,755
Cash and cash equivalents at the beginning of period	72,830	93,585
Cash and cash equivalents at the end of period	<u>84,352</u>	<u>72,830</u>



NOTES TO THE FINANCIAL STATEMENTS:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim accounts are prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") 25 — "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The unaudited condensed consolidated interim accounts should be read in conjunction with the 2005 annual accounts.

The accounting policies and methods of computation used in the preparation of the condensed consolidated interim accounts are consistent with those used in the 2005 annual accounts.

2. TURNOVER

Turnover by segments

	Unaudited For the six months ended 30th June 2006 RMB'000	Audited 2005 RMB'000
Outdoor advertisement design and production fees	65,782	68,108
Advertising income from the leasing of outdoor advertising space	<u>126,795</u>	<u>67,288</u>
	<u><u>192,577</u></u>	<u><u>135,396</u></u>

3. TAX

	Unaudited For the six months ended 30th June 2006 RMB'000	2005 RMB'000
Taxation charges		
PRC income tax	<u>1,931</u>	<u>1,455</u>



4. TRADE RECEIVABLES

The aged analysis of trade receivables is as follows:

	Unaudited As at 30th June, 2006 RMB'000	Audited As at 31st December, 2005 RMB'000
0-90 days	76,044	39,091
91-180 days	20,811	14,240
181-365 days	11,706	5,762
Over 365 days	639	3,300
	<u>109,200</u>	<u>62,393</u>

5. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	Unaudited As at 30th June, 2006 RMB'000	Audited As at 31st December, 2005 RMB'000
0-90 days	10,666	10,041
91-180 days	1,868	1,876
181-365 days	3,472	538
Over 365 days	16	1,080
	<u>16,022</u>	<u>13,535</u>



MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th June, 2006, the Group recorded a turnover of approximately RMB192,580,000, representing an increase of approximately 42% as compared with the corresponding period of last year. During the period, net profit amounted to approximately RMB11,210,000, representing an increase of approximately 22% as compared with the corresponding period of last year, of which turnover from media dissemination business represented approximately 65.84% of the gross turnover (2005: 50%). Revenue from media production business represented approximately 34.16% of the gross turnover (2005: 50%). Earnings per share was RMB0.0135 (2005: RMB0.0111).

During the period under review, turnover of the Group's advertising dissemination business amounted to approximately RMB126,790,000 (2005: 67,290,000), which was increased by 88% as compared with the corresponding period of last year. During the period, the Group continued to streamline business structure, improve internal procedures and open up industry chains. Not only the Group increased its strength in development, it also achieved progress in media double-winning status and shared it with peer companies, which have driven the development of the media dissemination business as a whole.

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As at 30th June, 2006, the Group had owned media resources of more than 170,000 square metres and integrated media resources of approximately 34,000 square metres. During the period, the average launching rate for the Group's outdoor media was approximately 68%.

During the period under review, the Group has entered into an outdoor media dissemination contract with Guangzhou Toyota Motor Co. Ltd for a term of one year. The contract amount was RMB5 million. The Group has entered into a letter of intents with 南汽集團 for an amount of approximately RMB20 million. Sales amounted to RMB3 million was realized during the period. At the same time, 杜邦保險、史福特照明 and Xuzhou Mining, etc, have become new clients of the Group. Through long-term professional services, enterprises such as 佳通輪胎, 重慶力帆, 慧聰國際, 雙溝酒業, 山推集團 and 海爾曼斯 continued to choose the Group to provide media dissemination services for them. Quality media and quality service not only generated satisfactory operating results, it also won praise from clients and enhanced the corporate image.



The “An Kang Advertising Board” project undertaken by the Group has achieved its preliminary scale. The Group has increased its technological content through research and development according to market and customers’ demand which has made the “An Kang Advertising Board” a high value-added advertising media. At present, it has entered into sales contracts with an aggregate amount of RMB42,000,000 for a term of six years. Offices have been setup in Guangzhou, Shanghai and Nanjing to fully promote the project and it has received strong support from the local governments.

During the period, media group has set up an office in Shanghai to keep in touch with market dynamics and explore industry directions, so as to provide its clients with wisdom sale and the latest media plans in the industry.

During the period under review, the Group tried to enter the TV media area. Strong TV media resources attracted the advertisement of a number of reputable brands, for instance, top companies in the telecommunication business such as China Mobile, China Unicom and China Telecom, clients for liquor such as Chivas Regal, Budweiser, Maotai and leaders in the dairy industry such as Yili, Nestle, Bright Dairy, and clients such as Mcdonalds, KFC, Samsung, Philips and Sony continued to advertise in the Group’s TV media after placing advertisement in the first season.

As at 30 June, 2006, the turnover of the Group’s media production business amounted to RMB65,780,000 (2005: 68,110,000), representing an decrease of approximately 3.4% over 2005. As the largest media production company in PRC, the Group on one hand continues to maintain its 15% market share, on the other hand, production business extends to end services on the basis of the original client group and the Group helped its clients to do their marketing which enhanced the Group’s overall profitability.

During the period, the Group entered into a cooperation plan for a turnover of RMB5 million with 奇瑞汽車 and passed a series of stringent appraisal procedures as well as became the supplier for “Pixel outdoor advertisement production” of Industrial and Commercial Bank of China, Shenzhen branch.

During the period under review, the Group underwent various managerial and structural adjustments and separated the function of business operation from the investment management function of the headquarter. The Group 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 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.



During the period, the Group has won a number of awards, it 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)". In addition, the Group's Chairman, Mr. He Chaobing, and Directors, 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)". Mr. Chaobing, the Group's Chairman was also named "Top 10 Bright Career Star (十大光彩事業之星)" and the Second "Bright Career Star" of Nanjing.

OUTLOOK

After conducting the strategic adjustments over the years, the Group has achieved initial success. Media ownership will emphasize on selecting high quality media for development on the existing basis and the Group will increase its strength in adjustments, so as to achieve maximum sharing with minimum cost. Media production will actively explore end-media customers while consolidating its traditional business, and develop high margin business such as photography, acrylics and project making. The Group will actively promote the "An Kang Advertising Board" project in the second half of the year in order to strive to get better results during the year. On the hand, the Group will recruit professionals and on the other hand, it will enhance its matching with international 4A companies so as to lay the foundation for the Group's further development.

Facing an increasingly competitive environment, the Group will grasp all opportunities to explore business. In view of the fact that 2008 Olympic Games is approaching, in places especially such as Beijing, Shanghai and Guangzhou where advertising business is prosperous, the Group will continue to research on and develop 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 30th June, 2006.

RIGHT OF FIRST REFUSAL

There is no provision in the Company's Articles of Association requiring the Company to issue new Shares proportionately to the existing shareholders.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company has continued to adopt a set of transaction standards in respect of securities transactions by directors, which are not inferior than Rules 5.48 to 5.67 under GEM Listing Rules. The Company has also made specific inquiries to all the shareholders, and has not been aware of any violation of the transaction standards and the standard code in respect of securities transactions by directors as required.



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

As at 30th June, 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 5.46 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:

- All of the persons named above are Directors, except Ms. Wang Mingmei who is a Supervisor.
- The letter "L" denotes the Director's/Supervisor's long positions in such shares.
- 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 30th June, 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 5.46 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 30th June, 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 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:

- The letter "L" denotes the person's/entity's long positions in the domestic shares of the Company.
- The interest in the domestic shares were held through Dahe International which was owned as to 90% by Mr. He Chaobing.
- 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.
- 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 30th June, 2006, save for the persons/entities disclosed in sub-section A above, the following entities/persons had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Number and class of securities (note 1)	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the entire issued share capital of the Company (note 4)
Yan Jian	Beneficial owner	71,800,000 domestic shares of RMB0.10 each (L)	12.37%	8.66%
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 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%
南京市浦口區 晨威油墨廠	Beneficial owner	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%



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)
Jocelyn Chu	Interest of a controlled corporation (notes 3)	29,085,000 H shares of RMB0.10(L)	11.63%	3.5%
Hung Kam Biu	Interest of a controlled corporation (notes 3)	29,085,000 H shares of RMB0.10(L)	11.63%	3.5%
Trophy Fund	Beneficial owner	26,415,000 H shares of RMB0.10(L)	10.57%	3.18%

Notes:

1. The letter "L" denotes the person's/entity's long positions in the domestic shares of the Company.
2. The interests in the domestic shares will be held through Nanjing Hi-Tech Venture Capital Co., Ltd., the registered capital of which is owned as to 60% by 南京市國有資產投資管理控股（集團）有限責任公司.
3. The interests in the H shares will be held through Winnington Capital Limited, the registered capital of which is being held as to 50% by each of Jocelyn Chu and Hung Kam Biu respectively.
4. 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 30th June, 2006 in the register required to be kept under section 336 of the SFO.



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.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information which reasonably indicates that there has been non-compliance with the Code of Practices under Corporate Governance as set out in Appendix XV of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") in any time during the accounting period covered under the current or quarterly report for the six months ended 30th June, 2006.

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
31st July, 2006