



# 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)



# 06

## 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”)**

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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 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 three months ended 30 September 2006, the Group achieved a turnover of approximately RMB102,950,000, representing an increase of approximately 19.76% over the same period last year.

For the three months ended 30 September 2006, the Group's profit attributable to shareholders was approximately RMB8,280,000, representing an increase of approximately 11.59% over the same period last year.

The Group does not recommend the payment of a dividend for the nine months ended 30 September 2006 (2005: nil).

The Group's turnover was mainly derived from the revenue from media dissemination and media production. Revenue from the media dissemination and media production businesses accounted for approximately 64.35% (2005: 58.78%) and 35.65% (2005: 41.22%) of the total turnover respectively.

## CONSOLIDATED PROFIT AND LOSS STATEMENT

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

	Note	Unaudited For the nine months ended 30th September		Unaudited For the three months ended 30th September	
		2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Turnover	2	<b>295,528</b>	221,710	<b>102,951</b>	85,964
Cost of sales		<b>(223,386)</b>	(154,685)	<b>(76,728)</b>	(60,486)
Gross profit		<b>72,142</b>	67,025	<b>26,223</b>	25,478
Other revenue		<b>938</b>	(428)	<b>754</b>	(268)
Distribution and selling costs		<b>(21,561)</b>	(16,913)	<b>(7,348)</b>	(6,411)
Administrative expenses		<b>(23,597)</b>	(20,056)	<b>(7,437)</b>	(6,527)
Profit from operations		<b>27,922</b>	29,628	<b>12,392</b>	12,272
Finance costs		<b>(6,550)</b>	(7,005)	<b>(2,552)</b>	(2,358)
Profit before taxation		<b>21,372</b>	22,623	<b>9,840</b>	9,914
Taxation	3	<b>(3,407)</b>	(2,679)	<b>(1,476)</b>	(1,325)
Profit before minority interests		<b>17,965</b>	19,944	<b>8,364</b>	8,589
Minority interests		<b>1,528</b>	(3,242)	<b>(80)</b>	(1,168)
Net profit for the period		<b><u>19,493</u></b>	<u>16,702</u>	<b><u>8,284</u></b>	<u>7,421</u>
Earnings per Share					
Basic (RMB)	4	<b><u>2.35 cents</u></b>	2.00 cents	<b><u>0.99 cents</u></b>	0.89 cents

## NOTES TO THE FINANCIAL STATEMENTS:

### 1. BASIS OF REPORTING

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

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

All intra-group transactions and balances are eliminated upon 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, advertising income and franchise fee income earned during the relevant period and is analysed as follows:-

	Unaudited		Unaudited	
	For the nine months ended 30th September		For the three months ended 30th September	
	2006	2005	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Income from the business of outdoor advertising media production	<b>102,489</b>	118,639	<b>36,707</b>	50,531
Income from the dissemination of outdoor advertisements	<b>193,039</b>	103,071	<b>66,244</b>	35,433
	<b>295,528</b>	221,710	<b>102,951</b>	85,964

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 breakdown 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 applicable tax rate 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 period ended 30th September, 2006.

However, based upon the local income tax regulations, profits of the Company's branches in Shanghai, Jiangxi Wuhan, Guangzhou and Shenzhen are subject to a separate assessment. 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 a standard tax rate of 33%.

The Company did not have any significant unprovided deferred taxation.

### 4. DIVIDEND

The Board does not recommend the payment of interim dividend for the nine months ended 30th September, 2006 (2005: Nil).

### 5. EARNINGS PER SHARE

The calculation of basic earnings per Share as at 30th September, 2006 is based on the net profit of RMB19,493,000 for the nine months ended 30th September, 2006, divided by 830,000,000 Shares issued following the Company transformation into a joint stock company and the sub-division of shares.

6. RESERVES

	Capital surplus reserve RMB'000	Statutory surplus reserve RMB'000	Staff welfare reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1st January, 2005	95,914	8,395	4,197	53,945	162,451
Addition	—	—	—	—	—
Profit and loss in prior year	—	—	—	—	—
Net Profit for the period	—	—	—	7,421	7,421
Dividend declared and paid	—	—	—	—	—
At 30th September, 2005	<u>95,914</u>	<u>8,395</u>	<u>4,197</u>	<u>61,366</u>	<u>169,872</u>
Net profit for the period	—	—	—	12,452	12,452
Dividend declared and paid	—	—	—	(6,683)	(6,683)
Transfer	—	2,419	1,210	(3,629)	—
At 31st December, 2005	<u>95,914</u>	<u>10,814</u>	<u>5,407</u>	<u>63,506</u>	<u>175,641</u>
Dividend declared	—	—	—	—	—
Net profit for the period	—	—	—	19,493	19,493
At 30th September, 2006	<u>95,914</u>	<u>10,814</u>	<u>5,407</u>	<u>82,999</u>	<u>195,134</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended 30 September 2006, the Group's turnover was approximately RMB102,950,000, representing an increase of approximately 19.26% over the same period last year. During the period, net profit amounted to approximately RMB8,280,000, representing an increase of approximately 11.59% over the same period last year, of which revenue from the media dissemination business and revenue from the media production business accounted for approximately 64.35% (2005: 58.78%) and 35.63% (2005: 41.22%) of the total turnover respectively. Earnings per share rose to RMB0.99 cents (2005: RMB0.89 cents).

During the period under review, the Group's turnover from the leasing of outdoor advertising space was approximately RMB66,240,000 (2005: RMB35,430,000), representing an increase of approximately 87% over the same period last year. As at 30 September 2006, the Group had owned media resources of more than 170,000 square metres and integrated media resources of approximately 350,000 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's media dissemination business continued to be strengthened on the previous development basis. As the Company's core operations, the Company has been proactive in exploring new media resources and expanding its share in the outdoor advertising market. Currently, the media network has covered more than 50 cities in the PRC, mainly including Beijing, Shanghai, Chongqing, Nanjing, Shenzhen, Guangzhou, Xian, Wuhan, Hangzhou and Urumqi.

For the three months ended 30 September 2006, turnover from the Group's media production business reached RMB36,710,000, representing approximately 35.65% (2005: 41.22%) of the total turnover. Compared with 2005, turnover decreased by approximately 27.36%. The media production business has successfully completed the strategic transformation from the pure posters production business to serving customers in a comprehensive and intelligent manner, thereby defining the core market positioning of "outdoor advertising production + end promotion".

During the period, while actively maintaining the steady development of existing businesses, the Group made positive efforts in developing relevant new businesses and successfully organized two large outdoor advertising events. In July, the Group planned and organized the Master Kang F.I.R Fans Club (康師傅F.I.R歌友會) in Shanghai, Nanjing and Wuxi. In September, the Group planned and organized the World Historical and Cultural Cities Expo (名城會) and the 100-Wedding Couple Event (百對新人婚典活動) in Nanjing and was highly appraised by the Nanjing Municipal Government and the press media. This demonstrates that the Group has possessed the ability to plan, organize and implement large advertising events. The Group will step up its efforts in developing this market to strive to create another first-line brand for the large-scale advertising event market.



In addition, the Group signed various new orders during the period. Among them, the photography order with a contract amount of RMB1.5 million signed with 東風 Honda was completed within five days, marking the fastest action ever taken by the Group.

During the period, the Group's "An Kang Advertising Board" project achieved breakthrough progress. In light of the characteristics of the project, the Group arranged various seminars which were attended by industry specialists and put forward the innovative concepts of "classified outdoor express advertising (分類戶外快告)" and "in-depth marketing (深度行銷)", adding HR-LED on the basis of the existing advertising board and incorporating entertainment and interaction into media. Agreements in respect of the project were also signed with various important customers within a short period of time. These customers included Guangdong Hua Wang Group (廣東畫王集團), City Channel of Jiangsu Broadcasting Corporation (江蘇省廣播電視總台城市頻道), Jiangsu Communication Broadcasting Network (江蘇交通廣播網) and Birdleads International English Training Institution (伯利茲國際英語培訓機構).

## OUTLOOK

Given the rapid development of the economy of the PRC, enterprises have placed increasing emphasis on the brand effect. Accordingly, the media and advertising industry will face tremendous development opportunities and challenges. The Group believes that with the continued development of the advertising industry, the Group will continue to focus its efforts on optimizing internal structure and increasing efficiency. On the basis of consolidating the existing media production businesses, the Group clearly define the operating role of its outdoor media, the Group will actively develop new businesses for outdoor media, particularly the "An Kang Advertising Board" project. Through a few years of attempts and implementation, we firmly believe that the project will become an in-depth marketing media network featuring nationwide interaction and innovative coverage that incorporates China characteristics. It is not only an outdoor classified advertising business that integrates multi technologies and multi functions but also a media network with low long-term revenue costs. The promotion of the "An Kang Advertising Board" project will not only drive the sustained development of the Group's operations but also have a significant impact on the dissemination of advertisements in the PRC. It will become another leading brand of "Dahe" and will be the most distinctive media of the Group. The An Kang In-depth Marketing Project will progress rapidly on the basis of "Dahe" with excellent new prospects.

## **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 September, 2006.

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

As at 30th September, 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 September, 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 September, 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:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number and class of securities (note 1)</b>	<b>Approximate percentage of shareholding in the relevant class of securities</b>	<b>Approximate percentage of shareholding in the entire issued share capital of the Company (note 4)</b>
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 long positions 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 30th September, 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%

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. 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 September, 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 nine months ended 30th September, 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  
14th November, 2006

*As at the date of this report, the Board comprises Mr. He Chaobing and Ms. Wang Weijie, being the executive Directors, Mr. Qiao Jun, Mr. Cheng Zhiming, Mr. Li Yijing, Mr. Shen Jin, being the independent non-executive Directors, and Mr. Li Huafei, Mr. He Lianyi, Mr. Xu Xiang and Ms. Chan E Nam Viveca being the non-executive Directors.*