



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)



First Quaterly Report

2007

* For identification purposes only

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

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 Nanjing Dahe Outdoor 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

- Since Chongqing Dahe Bashu Media Co., Ltd., a subsidiary of the Group, is in the liquidation stage, the company has been excluded from all financial data in this result report.
- For the three months ended 31 March 2007, the Group achieved a turnover of approximately RMB70,580,000.
- For the three months ended 31 March 2007, the Group's profit attributable to shareholders was approximately RMB3,680,000, representing an increase of 7.45% over the same period of 2006.
- The Group does not recommend the payment of a dividend for the three months ended 31 March 2007 (2006: 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 three months ended 31st March, 2007, together with the comparative figures for the corresponding period in 2006 as follows:

	Notes	Unaudited For the three months ended 31 March	
		2007 RMB'000	2006 RMB'000
Turnover	2	70,582	86,367
Cost of sales		(49,254)	(66,199)
Gross profit		21,328	20,168
Other revenue and gain		(235)	(13)
Distribution cost		(7,444)	(7,077)
Administrative expenses		(8,243)	(8,054)
Operations profit		5,406	5,024
Finance cost		(1,873)	(1,677)
Profit before taxation		3,533	3,347
Income tax	3	(590)	(617)
Profit for the year		2,943	2,730
Attributable to:			
Equity holders of the Company		3,677	3,422
Minority interests		(734)	(692)
		2,943	2,730
Final dividend proposed to equity holders of the Company attributable to the year		—	—
Earnings per Share - Basic (RMB)		0.44 cents	0.41 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, 2006.

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

	Unaudited For the three months ended 31 March	
	2007 RMB'000	2006 RMB'000
Income from the business of outdoor advertising media production	28,252	26,516
Income from the business of outdoor advertising media dissemination	42,330	59,851
	<u>70,582</u>	<u>86,367</u>

The turnover and operating profit of the Group are entirely derived from one business segment which is the provision of outdoor advertising services in the PRC. Accordingly, no breakdown by business or geographical segment is 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, 2007, 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, 2007 (2006: Nil).

5. Earnings per Share

Basic earnings per Share as at 31st March, 2007 was based on the net profit for the three months ended 31st March, 2007 of RMB3,677,000, divided by 830,000,000 Shares in issue after the conversion of the Company into a joint stock limited company and the sub- division of shares.

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 2006	95,914	10,814	5,407	63,506	175,641
Net profit for the period	—	—	—	342	342
As at 31st March 2006	95,914	10,814	5,407	63,848	175,983
Appropriations from retained profits	—	2,039	—	(2,039)	—
Net profit for the period	—	—	—	18,659	18,659
Dividends declared and paid	—	—	—	(4,797)	(4,797)
Appropriation	—	5,407	(5,407)	—	—
As at 1st January 2007	95,914	18,260	—	75,671	189,845
Dividends declared	—	—	—	—	—
Net profit for the period	—	—	—	368	368
As at 31st March 2007	95,914	18,260	—	76,039	190,213


MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended 31 March 2007, the Group's turnover was approximately RMB70,580,000. During the period, profit attributable to shareholders was approximately RMB3,680,000, representing an increase of approximately 7.45% over the same period last year, of which revenue from media dissemination business and media production business accounted for approximately 60% (2006: 69.3%) and 40% (2006: 30.7%). Earnings per share rose to RMB0.44 cents (2006: RMB0.41 cents).

During the first quarter, the Group's turnover from media dissemination business was approximately RMB42,330,000. At present, the Group owns media resources of around 170,000 square meters and integrated media resources of around 40,000 square meters. The Group has extended its business to 60 cities in China, resulting in further expansion of the Group's scope of business. During the period, the Group continued to strengthen the sale and promotion of media positions to boost profit margin of sales. At present, the dissemination rate of the Group's media reached 70%.

During the period under review, the Group's "Enkon Quick Show" project forged ahead. Currently, the Group has installed a total of 2,300 "Ankang Classified Express" which are located at the entrances of the main districts in Beijing, Shanghai, Nanjing and Guangzhou. Famous enterprises such as Suning Appliance, Best Buy (Five Star Appliance Group) and Midea have become loyal partners of Ankang Classified Express. It is believed that with further expansion and improvement of the network, this project will further demonstrate its advantages of speediness, interaction, audience share and time share.

In addition, the media production business of the Group continued to maintain its leading position in the industry. For the three months ended 31 March 2007, the turnover of media production business was approximately RMB28,250,000. At present, the Group has successfully completed the transformation from printing to end production. During the period, the Group secured posters printing production of nearly 70,000 square meters in China from Jinliufu and jointly built "Magic exhibit booths" for 200 shopping malls in China with Midea Electric. Moreover, the Group has formed intention for corporation with several \$10-million-grade new clients. The Group has made continuous efforts to secure more clients and to provide more quality services and products. On 27 March, the Group's Beijing branch was awarded "The best production service prize for Media" by 北京電通廣告有限公司。



During the period, in light of the ever-changing market, the Group adjusted its operation strategy and restructured the original outdoor media group and the dissemination production group to establish the Dahe Operation Group, which is headquartered in Shanghai, the most dynamic city in China. The newly structured Dahe Operation Group has accomplished the expected results in customer services and business integration. On 28 March, Dahe Operation Group has successfully entered into the “Contract for cooperation for Media strategy” with 上海七門星商酒店. The cooperation involves the space and area of the chained hotels of the business travelers hotels of 七門星 in all the cities. The Group is responsible for developing, constructing, selling and acting as exclusive agent for the space and media of the chained hotels of 七門星 within the country, which includes the advertisement space on walls, stairs and lifts, the advertisement resources in guests rooms/lobby inside the hotel. This right lasts for 20 years.

Furthermore, during the period, the Group has strengthened management control on branches and provided guidance for subsidiaries, with the focus on the implementation of internal control and appraisal system during the period. Recently, Chongqing Fifth Intermediate People’s Court made a judgment that Chongqing Dahe Bashu Media Co., Ltd, a subsidiary of the Group be liquidated and dissolved. The Group is committed to ensuring a smooth liquidation so as to reduce the loss incurred.

During the period, the Group continued to receive recognition and awards from organization within the industry. On 18 January 2007, Deha Media was accredited with two awards, which were “2007 福布斯中文版中國潛力 100” and “Ankang Classified Express” was named “Media with the greatest potential for investment”. Among which “2007 福布斯中文版中國潛力 100” was selected among more than 8,000 enterprises with annual turnover ranging from RMB 5 to 800 million. The research methodology behind was recognized and used by various significant investment organizations. This award was the first countrywide assessment covering small to medium enterprises of the entire industry. Dahe Media outperformed others and was selected to this influential list and was recognized by authoritative organization, which, without doubt, contributed positively to securing concern from investors as well as the continuous development of the enterprise.

During the period, the Group became an official training base for the graduates from Anhui University of Finance and Economics. As a unit for cooperation, the Group provides facilitating services such as internship programs, practice opportunities and employment follows-up to graduates of the relevant university. At the same time, it also gives feedback to the university with regards to the requirements of the enterprise on the graduates and the problems the students encountered at work. This plays an active role in improving university’s educational content and enhancing the quality of teaching.



OUTLOOK

Given the rapid growth of the economy of the PRC, enterprises have placed increasing emphasis on brand effect and image. The Group believes that the advertising market of the PRC still has great potential for development. Moreover, as one of the world's largest consumer markets, China will also become one of the largest advertising markets. In the next decade, with the rise in citizen's income and consumption, advertising revenue will increase substantially and this signifies the increasingly rising status of the media industry in the economy as a whole.

The Group will continue consolidating its existing business and actively develop new business of outdoor media, in particular the "Enkon Quick Show" project operated by the Group. The project has a unique feature focusing on information on purchase guiding at sales places, which not only fuels the continuous development of the Group's business, but will also have great impacts on the manner of advertisements dissemination in China.

The 2010 Shanghai World Expo and the 2008 Olympic Games will further stimulate the advertising industry. The Group expects to leverage on the rapid growing opportunities of advertising market of the PRC and continues to expand its media network to more provinces of the country by self-development, mergers and acquisitions. The Group predicts that turnover and revenue from media dissemination will increase continuously. Media dissemination will become the Group's important revenue driver in the future.

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, 2007.

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

As at 31st March, 2007, 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:

- 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 interests 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.) which was owned as to 90% by Mr. He Chaobing.

Save as disclosed above, as at 31st March, 2007 none of the Directors and the Supervisors has any interests and short positions in the shares, underlying shares or 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 POSITIONS IN SHARES AND UNDERLYING SHARES IN THE COMPANY

A. Substantial shareholders

As at 31st March, 2007, 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 Group (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 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 31st March, 2007, 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 three months ended 31st March, 2007.

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.

By Order of the Board
He Chaobing
Chairman and executive director

Nanjing, the PRC
14th May, 2007

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 and Mr. Shen Jin, being independent non-executive Directors and Mr. Li Huafei, Mr. He Lianyi, Ms. Chan E Nam Viveca and Mr. Xu Xiang, being non-executive Directors.