



**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 Quarterly Report ]

# 2008

## **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.

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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 2008, the Group achieved a turnover of approximately RMB79,342,000, representing an increase of approximately 12.41% over the same period of 2007.
- For the three months ended 31 March 2008, the Group's profit attributable to shareholders was approximately RMB3,811,000, representing an increase of approximately 3.64% over the same period of 2007.
- Profit per share was RMB0.46 cents, representing an increase of approximately 4.55% over the same period of 2007.
- Chongqing Dahe Basu Media Co., Ltd., an investee company of the Group, was under liquidation.

## CONSOLIDATED INCOME 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 (together the “Group”) for the three months ended 31 March 2008, together with the comparative figures of the corresponding period of 2007 as follows (These financial statements have not been audited, but have been reviewed by the audit committee of the Company.):

	Notes	Unaudited For the three months ended 31 March	
		2008 RMB'000	2007 RMB'000
Turnover	2	79,342	70,582
Cost of sales		(55,737)	(49,254)
Gross profit		23,605	21,328
Other revenue and gain		153	(235)
Distribution costs		(8,859)	(7,444)
Administrative expenses		(8,258)	(8,243)
Operations profit		6,641	5,406
Finance cost		(2,550)	(1,873)
Profit before taxation		4,091	3,533
Income tax	3	(604)	(590)
Profit for the period		3,487	2,943
Attributable to:			
Equity holders of the Company		3,811	3,677
Minority interests		(324)	(734)
		3,487	2,943
Dividend	4	—	—
Earnings per share - Basic (RMB)	5	0.46 cents	0.44 cents
- Diluted (RMB)	5	N/A	N/A

## NOTES TO THE FINANCIAL STATEMENTS:

### 1. BASIS OF PRESENTATION

Except for those mentioned in paragraphs (1) to (3) below, these unaudited condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and Chapter 18 of the GEM Listing Rules:

- (1) An application for liquidation of Chongqing Dahe Basu Media Co., Ltd. (“Dahe Basu”), a 60%-owned subsidiary of the Company up to 14 May 2007, was made to a court in the People’s Republic of China (the “PRC”) during 2007 as a result of a dispute between the Company and the 40% equity owner of Dahe Basu (the “Minority Owner”) in the operations of Dahe Basu. Pursuant to a PRC court order dated 15 May 2007, a liquidation team (comprising representatives of the Company and the Minority Owner, and a PRC liquidator) was appointed. As of the date of this report, the liquidation has not been completed and the liquidation team led by the PRC liquidator has not released any sufficient reliable financial information of Dahe Basu to the directors of the Company.

The Minority Owner was responsible for the daily operations and preparation of part of certain books and records of Dahe Basu before its liquidation, and the Group had no access to the books and records of Dahe Basu for the purpose of obtaining the relevant financial information of Dahe Basu. Since 15 May 2007, Dahe Basu was no longer a subsidiary of the Company as the Company lost control over its financial and operating policies after Dahe Basu was subject to control of the liquidation team which was appointed by the PRC court on 15 May 2007. In accordance with HKAS 27 and Hong Kong Accounting Standard 39 “Financial Instruments: Recognition and Measurement”, the carrying amount of the Group’s interest in Dahe Basu (the Group’s attributable share of net assets of Dahe Basu) at the date Dahe Basu ceased to be a subsidiary, i.e. 15 May 2007 should have been recognised as the initial cost of an available-for-sale financial asset of the Group, which should be subsequently stated at cost less any impairment losses. However, as mentioned above, the directors were unable to obtain sufficient reliable financial information of Dahe Basu as at 15 May 2007. Accordingly the directors of the Company were unable to obtain reasonable assurance regarding the measurement of the Group’s initial cost of the available-for-sale financial asset.

- (2) As mentioned in (1) above, the directors were still unable to obtain sufficient reliable financial information of Dahe Basu as at 31 March 2008, and accordingly the directors remained unable to obtain reasonable assurance regarding the accuracy of the Group’s aggregate amount due from Dahe Basu of approximately RMB1,506,000 as at 31 March 2008.

- (3) No impairment provision was made by the management in respect of (i) the Group's equity interest in Dahe Basu which was recognised as an available-for-sale financial asset with the carrying amount of approximately RMB19,922,000 as at 31 March 2008; and (ii) the Group's aggregate amount due from Dahe Basu of approximately RMB1,506,000 as at 31 March 2008. In the absence of reliable current financial information relating to the assets and liabilities of Dahe Basu made available to the directors, the directors are unable to ensure as to whether any impairment provision is required for (i) the Group's available-for-sale financial asset, and (ii) the Group's amounts due from Dahe Basu, as at 31 March 2008.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007. Except for those mentioned above, the accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the audited financial statements of the Group for the year ended 31 December 2007.

## 2. TURNOVER

Turnover comprises the invoiced amount of production and advertising services provided to outside customers after allowances for returns and discounts, and is analysed as follows:

	Unaudited	
	For the three months ended 31 March	
	2008	2007
	RMB'000	RMB'000
Income from the business of outdoor advertising media production	35,012	28,252
Income from the business of outdoor advertising media dissemination	44,330	42,330
	<u>79,342</u>	<u>70,582</u>

The turnover and operating profit of the Group are entirely derived from one business and geographical segment which is the provision of outdoor advertising services in the PRC. Accordingly, no analysis by business or geographical segment is presented.

## 3. INCOME TAX

The provision for PRC Enterprise Income Tax ("EIT") is based on the estimated taxable income for PRC taxation at the rate of taxation applicable for the period.

Pursuant to the relevant laws and regulations in the PRC, the Company, being qualified as a new and high technology enterprise and registered in a high technology zone, is eligible for a preferential EIT rate of 15% for the three months ended 31 March 2008 (2007: 15%).

Subsidiaries of the Company are subject to a standard EIT rate of 25%.

## 4. DIVIDEND

The Board does not recommend distribution of interim dividends for the three months ended 31 March 2008 (2007: Nil).

## 5. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months ended 31 March 2008 is based on the profit attributable to equity holders of the Company of RMB3,811,000 (Three months ended 31 March 2007: profit of RMB3,677,000) and on the weighted average number of shares in issue of 830,000,000 (2007: 830,000,000).

No diluted earnings per share amount for the three months ended 31 March 2007 is presented as the Company has no potential dilutive ordinary shares outstanding during the period. During the three months ended 31 March 2008, the warrant granted to MediaCorp Pte Ltd. which entitled MediaCorp Pte Ltd. to subscribe for 20% equity interest in Beijing Millennium Ankang International Media Co. Ltd., a subsidiary of the Company, had an anti-dilutive effect on the basic earnings per share, and accordingly diluted earnings per share amount for the period has not been disclosed.

## 6. RESERVES

	Share premium and capital reserves	Statutory surplus reserve	Retained profits	Total reserves
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2007	95,914	18,260	75,671	189,845
Net profit for the period	—	—	3,677	3,677
As at 31 March 2007	95,914	18,260	79,348	193,522
Appropriations from retained profits	—	2,378	(2,378)	—
Net profit for the period	—	—	16,931	16,931
Dividends declared and paid	—	—	(2,490)	(2,490)
Release from disposal and liquidation of subsidiaries	—	(983)	983	—
As at 1 January 2008	95,914	19,655	92,394	207,963
Net profit for the period	—	—	3,811	3,811
As at 31 March 2008	95,914	19,655	96,205	211,774

## MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended 31st March 2008, the Group's effective turnover was approximately RMB79,342,000, representing an increase of approximately 12.41% over the same period of 2007. During the period, profit attributable to shareholders was approximately RMB3,811,000, representing an increase of approximately 3.64% over the same period of 2007. Of these, revenue from media dissemination business and media design and production business respectively accounted for approximately 49.08% (2007: 60%) and 50.92% (2007: 40%) of the total turnover. Revenue from media production business increased during the period mainly due to the fast growth of terminal business, including terminal creation, design, production and dissemination etc. Traditional painting production business accounted for a decreased proportion of the production business. Earnings per share increased 4.55% to RMB0.46cents.

During the period under review, the Group's turnover from media dissemination business was approximately RMB44,330,000, representing an increase of approximately 4.72% over the same period of 2007. At present, the Group owns media resources of around 200,000 square meters, while the Group's business has expanded to 64 cities across the country. During the period, average posting rate of the Group's outdoor media was 70%, which is the same as the same period of 2007.

During the period, the Group has installed a total of 5,200 "EnKon Express Media" which are mainly located at the entrances of the main districts in places like Beijing, Shanghai, Nanjing and Guangzhou. This project contributed during the period a turnover of approximately RMB5,390,000 to the Group, representing an increase of 213.37% compared with the corresponding period of last year. During the period under review, further to its entering into a RMB 2,900,000 worth of cooperation contract with Guangdong Development Bank and commencement of marketing activities, Guangzhou Enkon entered into a RMB 14,484,000 worth of dissemination contract with Guangdong Jiaduobao Drink & Food Co., Ltd., riding on the advantages of "EnKon Express Media" of precised coverage and frequent updating to disseminate advertisement of the Group's Wang Lao Ji brand drink products. It is expected that in 2008 the "EnKon Express Media" project will extend to eight major cities in China, with an aggregated installation of 10,000 "EnKon Express Media".

On 28 February 2008, a "Strategic Cooperation Agreement relating to Community terminal Payment System (社區終端金融支付系統戰略合作協議)" was entered into with 上海卡友信息服務有限公司, a member enterprise of the China UnionPay, regarding the "EnKon Express Media" project pursuant to which the parties to the agreement reached consensus for the building of community payment network for the purpose of nationwide high to medium quality community construction. The payment terminal, with the "EnKon Express Media" as its carrier and through the across-bank exchange and clearing networks of the China UnionPay, provides enterprises and individuals with diversified services including financial services such as public payment, credit card repayment and business travel payment. During the period, the first station point of "Community Payment E-stations" under the "EnKon Express Media" project was successful completed in Chueng Yi Dong Lu, zone 8, Nanjing. The Group believes that this project will generate remarkable income for the Group. It is expected that the trial points of the project will first be located in Jiangsu province and Shanghai, and then extended to all major cities in China.



During the period, the Group's branch company in Jiangxi successfully entered into a 2,900,000 worth of media dissemination contract with Shengang phrase I (神鋼一期), further to its entering into the 1,750,000 worth of Shengang phrase II (神鋼二期) media dissemination contract in December. Further, the Coco-Cola artistic bottle designed and produced for Coco-Cola Company in January 2008 was successfully displayed in the 西安鐘樓世際金花廣場.

In February, the Group entered into a share subscription agreement with MediaCorp Pte Ltd. ("Media Corp"), a wholly-owned subsidiary of Temasek Holdings (Private) Limited. Pursuant to the agreement, the Group conditionally agreed to allot and issue to MediaCorp 154,000,000 shares of new domestic shares, representing approximately 18.55% of the existing issued share capital of the Company, and approximately 15.65% of the enlarged issued share capital of the Company pursuant to the share subscription. In addition, MediaCorp will also acquire part of the Group's domestic shares. After the acquisition, MediaCorp will become the second largest shareholder of Dahe Media. MediaCorp is the forerunner of the broadcasting industry in Singapore with a comprehensive platform. Its business includes television, radio, newspaper, magazine, film and digital media operation. MediaCorp has 55 products of four languages (English, Chinese, Malay and Tamil), broadcasting to 99.4% of the adult citizens in Singapore every week. The Group believes that MediaCorp will enable the Group to realize its vision of overseas market expansion, and can provide the Group and Enkon with technical advice and support.

During the period, the Group successively received recognition and awards from organization within the industry. The Group's Chairman Mr. He Chaobing was granted "Award for Outstanding Contribution to China's advertising Industry in 30 Years (中國廣告30年特出貢獻獎)", and was invited to serve as the vice president of the China Advertising Association (中國廣告協會). Besides, at the third session of the Media Innovation Annual Meeting (傳媒創新年會), our Group chairman Mr. He Chaobing was granted the title of "The advertiser that has secured the most concern from the Media in China (中國最受媒介關注廣告人)", while Dahe Group was awarded the title "The advertising Company that has secured the most concern from the Media in China (中國最受媒介關注廣告公司)".

## OUTLOOK

China's advertising market has huge growth potential as China is one of the world's largest consumer market and the largest advertising market. In the coming decade, income from advertisement will increase accordingly with increased consumption due to increased national incomes. This also means the enhanced position of the media industry in the overall economy.

With the upcoming 2008 Olympic Games in Beijing, all brand operators has leveraged this opportunity to show their brand products to the billions of audience all over the world so as to enhance the brands' international recognition. Taking this opportunity, the Group has entered into advertisement contracts with different renowned customers, laying a solid foundation for launching outdoor media to prepare for the vast business opportunities. The Group has successfully secured the tender for the project "2008 Olympic Games and Paralympic Games site landscape implementation service (2008年奧運及殘奧會場景觀實施服務)", being the only one enterprise outside Beijing and also the only one non-state-owned enterprise securing the tender.

Apart from continuous expending across-region advertising media networks and soliciting further professional advertising talents to enhance our force, the Group will continue to strengthen its existing business and actively expanding its new outdoor media business, especially the Group's "EnKon Express Media" project. The newly added "Community Payment E-stations" of the project represents not only a combination of financial payment and fixed line communication technologies, but also the realization of additional convenient facilities to citizens. Meanwhile, it also has injected new elements to the advertisement projects in China and significantly enhanced the overall value of China's advertising industry.

We will also strive to tap new media markets, and our cooperation with MediaCorp in Singapore has created a channel for the Group re-financing in the international market. The Group will principally cooperate with MediaCorp to explore new market for the "EnKon Express Media" project. We believe that the innovative media combining several technologies including SP, electronic technology, wireless network, and traditional light boxes will surely surpass traditional media and indicate the future development direction of China's advertising industry.

Looking forward, the Group will fully utilize its existing business network to further expand its business platform. Meanwhile, the Group will also enhance its service quality and asset scale, strengthen its corporate governance system, and strive to identify famous customers at home and abroad, so as to lay a solid foundation for the development in 2008 and enable the Group to become the most established outdoor advertising operator.

## **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 three months ended 31 March 2008.

## **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 31 March 2008.

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

As at 31 March 2008, 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. Wang Weijie resigned as a director on 26 February 2008.
- 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.) which was owned as to 90% by Mr. He Chaobing.

Save as disclosed above, as at 31 March 2008 none of the Directors and the Supervisors of the Company 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 required to be notified to the Company and the Stock Exchange pursuant to the Rules 5.46 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS AND OTHER PARTIES HOLDING INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES IN THE COMPANY

### A. Substantial shareholders

As at 31 March 2008, the following persons/entities had interests or short positions 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 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 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 parties required to disclose their interests pursuant to Divisions 2 and 3 of Part XV of the SFO

As at 31 March 2008, save for the persons/entities disclosed in sub-section A above, the following entities/persons had interests or short positions 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 3)
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 interests or short positions in the shares and underlying shares of the Company as recorded on 31 March 2008 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 31 March 2008.

## AUDIT COMMITTEE

The Company established an audit committee on 23 October 2003 with written terms of reference in compliance with Rules 5.28 and 5.29 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 three independent non-executive directors, Mr Qiao Jun, Mr Li Yijing and Mr Shen Jin.

By Order of the Board  
**He Chaobing**  
*Chairman and executive director*

Nanjing, the PRC  
8 May 2008

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