



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)



2010 First 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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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities trade on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Dahe Media Co., Ltd. collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. 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 2010, the Group achieved a turnover of RMB76,705,000, representing a decrease of approximately 4.78% over the same period of last year.
- Turnover of the Group was mainly from outdoor media dissemination, terminal dissemination service, outdoor advertising and media production businesses, representing approximately 52.84% (2009: 60.71%), 27.25% (2009: 20.14%) and 19.91% (2009: 19.15%) respectively of the gross turnover.
- For the three months ended 31 March 2010, profit attributable to the Group's shareholders was approximately RMB719,000 (2009: RMB362,000).
- Earnings per share was approximately RMB0.09 cent (2009: RMB0.04 cent).
- The Directors do not recommend the distribution of an interim dividend for the three months ended 31 March 2010 (2009: Nil).
- Chongqing Dahe Basu Media Co., Ltd., a subsidiary of the Group, is still in the process of liquidation, the Group has made an one-off investment impairment provision of RMB20.3 million during 2008.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Board of Directors (the “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 31 March 2010, together with the comparative figures for the corresponding period in 2009 as follows, which has been received by the audit committee of the Company:

		Unaudited For the three months ended 31 March	
	Notes	2010 RMB'000	2009 RMB'000
Turnover	2	76,705	80,558
Cost of sales		(53,906)	(56,911)
Gross profit		22,799	23,647
Other income and gains		115	(319)
Distribution costs		(10,424)	(10,659)
Administrative expenses		(8,732)	(10,045)
Profit from operations		3,758	2,624
Finance costs		(2,651)	(2,185)
Profit before taxation		1,107	439
Income tax	3	(437)	(382)
Profit and other comprehensive income for the period		670	57
Profit and other comprehensive income attributable to:			
Owners of the Parent		719	362
Non-controlling interests		(49)	(305)
		670	57
Earnings per share			
– Basic and diluted (RMB)	5	0.09 cent	0.04 cent



NOTES TO THE FINANCIAL STATEMENTS:

1. BASIS OF PREPARATION

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.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2009. 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 annual financial statements of the Group for the year ended 31 December 2009.

2. TURNOVER

Turnover by segments

	For the three months ended 31 March	
	2010 RMB'000 Unaudited	2009 RMB'000 Unaudited
Income from the business of outdoor media dissemination	40,532	48,909
Income from the business of terminal dissemination service	20,898	16,221
Income from the business of outdoor advertising media production business	15,275	15,428
	<u>76,705</u>	<u>80,558</u>

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 year.

In accordance with the new PRC Enterprise Income Tax Law which became effective from 1 January 2008, a unified enterprise income tax rate of 25% will be applied to both domestic invested enterprises and foreign-invested enterprises. Enterprises qualified as Hi-tech Enterprise is subject to the applicable EIT rate of 15%. Accordingly, the Company is eligible for a preferential EIT rate of 15% for the three months ended 31 March 2010 (2009: 15%). A standard EIT rate of 25% (2009: 25%) is applicable to the subsidiaries of the Company.



4. DIVIDEND

The board of directors does not recommend the payment of an interim dividend for the three months ended 31 March 2010 (2009: nil).

5. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months ended 31 March 2010 is based on the profit attributable to equity holders of the Company of RMB719,000 (For the three months ended 31 March 2009: profit of RMB362,000) and on the weighted average number of shares in issue of 830,000,000 (2009: 830,000,000).

6. RESERVES

	Share premium and capital reserves RMB'000 Unaudited	Statutory surplus reserve RMB'000 Unaudited	Retained profits RMB'000 Unaudited	Total reserves RMB'000 Unaudited
As at 1 January 2009	97,421	21,449	86,784	205,654
Profit for the period	—	—	362	362
As at 31 March 2009	97,421	21,449	87,146	206,016
Profit for the period	—	—	7,585	7,585
Discount at acquisition of additional equity interests in a subsidiary	—	—	1,682	1,682
Appropriations from retained profits	—	2,027	(2,027)	—
As at 1 January 2010	97,421	23,476	94,386	215,283
Profit for the period	—	—	719	719
As at 31 March 2010	97,421	23,476	95,105	216,002



MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended 31 March 2010, the Group recorded a turnover of approximately RMB76,705,000 (2009: RMB80,558,000), representing a decrease of approximately 4.78% compared to the corresponding period of last year. Advertisers gradually increased their advertising spending, as the impact of the global financial crisis weakened and the PRC economy started to fully recover. This, coupled with the PRC government's policy on developing the creative industry in the PRC, resulting in the resumption of confidence within the industry. During the period, profit attributable to shareholders increased by 99% to RMB719,000 from the corresponding period of last year (2009: RMB362,000). Earnings per share increased by 125% to RMB0.09 cent.

The revenue from outdoor advertising media dissemination business, terminal dissemination service and outdoor advertising media production business accounted for approximately 52.84% (2009: 60.71%), 27.25% (2009: 20.14%) and 19.91% (2009: 19.15%) respectively of the Group's total revenue during the period. The Board does not recommend the payment of the interim dividend for the three months ended 31 March 2010 (2009: nil).

During the period under review, the Group's outdoor advertising media dissemination business recorded a turnover of approximately RMB40,532,000, a decrease of 17.1% year-on-year, which was mainly due to the giving up of terminal dissemination service business with very narrow margins. Currently, the Group has outdoor media resources of approximately 200,000 square metres in total covering 64 major cities across China. The average launching rate of the Group's outdoor media remained at about 70%, with major customers from various industries such as fast moving consumer goods, machineries, real estate and tourism.

During the period, "Enkon Express Media", the Group's core business, continued to improve and contributed approximately RMB12,098,000 to the Group's total turnover. Currently, approximately 7,700 advertising boards targeting 9 million households with medium and high income in nearly 5,500 communities have been set up, covering Beijing, Shanghai, Guangzhou, Nanjing, Shenzhen, Shenyang, Hangzhou and Chengdu and contributing outdoor media dissemination resources of approximately 35,000 square metres and profit of RMB271,000 (2009: RMB48,000), an increase of 465% over the corresponding period of last year, to the Group. "Enkon Express Media 3.0" is positioned as a versatile community project to build an innovative dissemination platform catering to diversified customer business and to incorporate functions such as media dissemination, commonwealth community information dissemination, self-service payment and coupon printing in daily life. According to an independent market research undertaken by CTR, the media contact rate of "Enkon Express Media" was 100%; the degree of media acceptance was 94% and the degree of attraction was 89%.

In March 2010, "Enkon Express Media" and Guangdong Jiaduobao Drink & Food Co., Ltd. entered into a contract with a contract value of over RMB7 million for the next three quarters, which made confirmation in relation to partnership between both parties



and future media sites. “Enkon Express Media” was upgraded into “Enkon Express Media 3.0” incorporating e-commerce features and the Group expects to expand this brand-new information platform into other parts of the PRC starting from Jiangsu, so as to open up a new prospect for dissemination. The Group believes this project will bring considerable return.

During the period under review, “Enkon Express Media” received attention from TV media and entered into contracts with Anhui Satellite TV and Jiangsu Satellite TV. Of which, the contract value signed with Anhui Satellite amounted to RMB 9.48 million. The Group wishes that “Enkon Express Media” is able to become new media for TV media advertising and generate considerable profits to the Group.

Recently, Nanjing Millennium Ankang International Media Co., Ltd (formerly Beijing Millennium Ankang International Media Co., Ltd) also carried out cooperation with several domestic and international famous brands including Mazda, NVC Lighting, Suning Electric, Carrefour, the Tourism Board of the Thousand Island Lake (千島湖旅遊局), 新城市置業 and Shenyin & Wanguo, thereby further consolidating the leading position of “Enkon Express Media” in the market and laying a solid foundation for growth in the second quarter.

During the Period, “Outdoor Media” conducted cooperation with 中策橡膠 and 申鷺達 in media dissemination. Cooperation agreements with a contract value of more than RMB11,200,000 were entered into.

The Group continued to further its terminal dissemination service business during the Period. As of 31 March 2010, turnover of the terminal dissemination service business amounted to approximately RMB20,898,000, an increase of approximately 28.8% over the same period of last year.

During the period under review, “Terminal Dissemination” continued to serve customers such as Nike, Wang Laoji and Wal-mart. In the first quarter, the contracted value for the Nike, Wang Laoji and Wal-mart projects amounted to over RMB5,300,000, RMB2,500,000 and RMB2,000,000. In view of the opportunities brought by international events including the 2010 Shanghai World Expo and the 2010 Guangzhou Asian Games, all branches of the Group accelerated progress in government tender invitation and bidding projects and were able to win a number of projects, including the Pudong Airport project.

During the period under review, turnover of the Group’s outdoor advertising media production business was approximately RMB15,275,000, accounting for approximately 1% of the Group’s total turnover. It represented an increase/a decrease of approximately 19.91% over the same period of last year.

As at the end of April, 2010, as the Chongqing municipal government reorganised the outdoor advertising market, resulting the media dissemination area of Chongqing Dahe Basu Media Co., Ltd reduced by 1,856.5 square meters.



OUTLOOK

In the first quarter of 2010, the global market appears prospective and the Chinese economy grows toward recovery. In July 2009, the State Council approved the “Revitalization Plan of Cultural Industry”, through which the government intends to further optimize the cultural industry. Chinese Premier Wen Jiabao instructed that the creative industry should be fully developed. It is expected that industry policies will be improved and leapfrog development will be realized through various specific measures including additional governmental investment and cultural consumption. Key industries and projects, such as the advertising sector, serve as an increasingly important driver for the growth of the culture industry. Leveraging on capital investment, culture-related enterprises make significant progress in the acceleration of corporate merger and restructuring, and strive to position themselves as leading culture enterprises and corporations featured with cross-regional multiple-industry operation, strong market competitiveness and output value of more than RMB 10 billion. Driven by positive state policies together with initiatives launched by the central government with a view to stimulate domestic consumption, we believe the advertising sector will deliver astonishing performance in 2010. Strategies adopted by the Group during the year will continue to flexibly meet market demand and enable the Group to expand its market share to maximize profits.

During the year, through entering into a market development cooperation agreement with the Committee for Application for Hosting the 2014 the Second Summer Youths’ Olympic Games in Nanjing City, the Group has become the only large-scale advertising company cooperating with the Committee to undertake the marketing of application for hosting the 2014 Youths’ Olympic Games. The Group has successfully introduced 雷士照明 who has sponsored RMB2 million in the application. Now Nanjing City has obtained the right to host the Second Summer Youths Olympic Games. The Group has also been recognised as a unit who has contributed to Nanjing’s successful application for hosting the 2014 Summer Youths Olympic Games, which is expected to bring about more businesses and profit margins to the Group in the future.

Moreover, China will host a number of events in 2010, including Guangzhou Asian Games and Shanghai World Expo in 2010, which are expected to bring considerable business opportunities for the advertising sector in the PRC. Despite the increasingly severe competition in the outdoor advertising sector, we remain optimistic toward the medium-to-long term growth of the advertising sector in the PRC. We believe that the Chinese government has promulgated laws to regulate outdoor media and outdoor advertisements and the local governments have gradually adopted allocation, tender and auction process to regulate outdoor advertisements, which is beneficial to the continuous and orderly development of outdoor advertisements in the long run. The Group will leverage on this opportunity and strive to secure more high value-added resources for outdoor advertisements.



Expecting 2010 to be a year of numerous opportunities, the Group will proactively allocate its resources in participation of special project tenders and expand its existing business such as “Enkon Express Media” in an effort to develop a brand-new information platform. Also, the Group will strengthen its corporate governance system, optimize service quality and improve media and terminal dissemination services, so as to maintain its leading advantage in the industry.

FINANCIAL REVIEW

TURNOVER

For the three months ended 31 March 2010 (“Period under review”), the Group’s turnover was approximately RMB76,705,000, representing a decrease of approximately 4.78% as compared with the corresponding period of last year. The decrease was mainly attributable to the giving up of the terminal dissemination service business with very narrow margins.

GROSS PROFIT

During the Period under review, gross profit was approximately 29.7%, representing an increase of approximately 0.4 percentage points over 29.3% of the corresponding period of last year.

DISTRIBUTION COSTS

During the Period under review, distribution costs decreased by 2% as compared with the corresponding period of last year.

ADMINISTRATION EXPENSES

During the Period under review, administration expenses decreased by 13% as compared with the corresponding period of last year, mainly attributable to the decrease in provision for bad debts.

FINANCIAL EXPENSES

During the Period under review, financial expenses were approximately RMB2,651,000, representing an increase of 21% as compared with the corresponding period of last year.

DIVIDENDS

The Directors do not recommend the distribution of an interim dividend for the three months ended 31 March 2010 (2009: nil).

FUTURE MAJOR INVESTMENT PLANS AND EXPECTED SOURCE OF FUNDS

The Group will continue to integrate the existing operations, at the same time identify new business opportunities which may supplement or strengthen the existing operations. As at 31 March 2010, the Group has yet not set up any specific plans.



WORKING CAPITAL AND FINANCIAL RESOURCES

The Group has adopted a prudent financial management policy and maintained a strong financial status. As at 31 March 2010, net current asset was approximately RMB56,948,000 (As at 31 December 2009: approximately RMB57,112,000).

As at 31 March 2010, bank balance and cash held by the Group amounted to approximately RMB120,850,000 (As at 31 December 2009: approximately RMB140,090,000).

As at 31 March 2010, the Group has bank borrowings of approximately RMB202,000,000 and total assets of approximately RMB632,250,000. Gearing ratio was approximately 32% (As at 31 December 2009: Gearing ratio was approximately 33%).

RISK OF FOREIGN EXCHANGE

As the Group's income and expenditure are denominated in RMB, therefore, the Group has no exposure to foreign exchange risks.

IMPORTANT INVESTMENT

During the Period under review, the Group has no increase in important investment.

IMPORTANT ACQUISITION AND DISPOSAL

During the Period under review, the Group has no important acquisition and disposal.

STAFF

As at 31 March 2010, the Group has about 1,000 full-time staff. During the Period under review, cost of staff was approximately RMB11,581,000 (corresponding period in 2009: approximately RMB12,367,000).

CONTINGENT LIABILITIES

As at 31 March 2010, the Group has not any material contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Group did not purchase, sell or redeem any of its listed securities during the year.



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

As at 31 March 2010, 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”) were also applicable 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 Rule 5.46 of the GEM Listing Rules were as follows:

Name of Director/Supervisor (note 1)	Name of company/ associated corporation	Capacity	Number and class of securities (note 2)	Approximate percentage of shareholding in the relevant class of securities
He Chaobing	The Company	Interest of a controlled corporation (note 3)	409,000,000 domestic shares of RMB0.10 each (L)	70.52%
He Lianyi	The Company	Beneficial owner	6,400,000 domestic shares of RMB0.10 each (L)	1.10%
Wang Mingmei	The Company	Beneficial owner	3,800,000 domestic shares of RMB0.10 each (L)	0.66%

Notes:

1. All of the persons named above are Directors, except Ms. Wang Mingmei who is a Supervisor.
2. The letter “L” denotes the Director’s/Supervisor’s long positions in such shares.
3. The interests in the domestic shares were held through Jiangsu Dahe International Advertising Group Co., Ltd. (“Dahe International”) which was 90% owned by Mr. He Chaobing and 10% owned by Mr. He Pengjun, who is the son of Mr. He Chaobing.

Save as disclosed above, as at 31 March 2010, 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 Rule 5.46 of the GEM Listing Rules.



SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST AND SHORT POSITION IN SHARES AND UNDERLYING SHARES IN THE COMPANY

A. SUBSTANTIAL SHAREHOLDERS

As at 31 March 2010, 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 share capital of the Group (note 4)
Dahe International	Beneficial owner	409,000,000 domestic shares of RMB0.10 each (L)	70.52%	49.28%
He Chaobing	Interest of a controlled corporation (note 2)	409,000,000 domestic shares of RMB0.10 each (L)	70.52%	49.28%
Yan Fen	Interest of spouse (note 3)	409,000,000 domestic shares of RMB0.10 each (L)	70.52%	49.28%

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 90% owned by Mr. He Chaobing and 10% owned by Mr. He Pengjun, who is the son of 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 31 March 2010, 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 3)
Yan Jian	Beneficial owner	71,800,000 domestic shares of RMB0.10 each (L)	12.37%	8.66%
Nanjing State-owned Assets Management Holdings (Group) Company Limited (南京市國有資產投資管理控股(集團)有限責任公司)	Beneficial owner (note 2)	50,000,000 domestic shares of RMB0.10 each (L)	8.62%	6.02%
南京市浦口區農威油墨廠	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 60% owned by Nanjing State-owned Assets Investment Management Holdings (Group) Company Limited (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 31 March 2010 in the register required to be kept under section 336 of the SFO.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

As updated and notified by the Company's compliance adviser, Guangdong Securities Limited (the "Compliance Adviser"), none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 March 2010 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to an agreement dated 13 July 2009 entered into between the Company and the Compliance Adviser, the Compliance Adviser will receive a fee for acting as the Company's compliance adviser for the period from 13 July 2009 to 12 July 2011 or until the agreement is terminated in accordance with the terms and conditions set out therein.

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

During the Period, none of the Directors of the Company is aware of any information which reasonably indicates that there has been non-compliance with the code provisions as set out in the Code of Practices under Corporate Governance as set out in Appendix 15 of the GEM Listing Rules of the Stock Exchange in any time during the accounting period covered under the current report.



AUDIT COMMITTEE

The Company established an audit committee on 23 October 2003 with written terms of reference made in compliance with 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 Sun Yingcai, Mr Ge Jianya and Mr Ye Jianmei. The audit committee has reviewed this first quarterly report in accordance with the GEM Listing Rules.

By Order of the Board
He Chaobing
Chairman

Nanjing, the PRC
12 May 2010

As at the date of this report, the Board comprises Mr. He Chaobing and Mr. Yang Jianliang, being the executive Directors, Mr. Sun Yingcai, Mr. Ge Jianya and Ms. Ye Jianmei, being the independent non-executive Directors, and Mr. Li Huafei, Mr. He Lianyi and Mr. He Pengjun being the non-executive Directors.