



(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)

# *Interim Report* **2008**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

*The 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.*

*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 the GEM of the 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 six months ended 30 June 2008, the Group achieved a turnover of approximately RMB172,722,000, representing an increase of approximately 16.3% over the same period of 2007.
- Turnover of the Group was mainly from media dissemination, terminal dissemination service and mediaproduction businesses, representing approximately 53.77% (2007: 56.47%), 29.08% (2007: 17.31%) and 17.15% (2007: 26.22%) respectively of the gross turnover.
- For the six months ended 30 June 2008, profit attributable to the Company's equity holders was approximately RMB10,719,000, representing an increase of approximately 14.53% over the same period of 2007.
- Earnings per share was approximately RMB1.29 cent, representing an increase of approximately 14.16% over the same period of 2007.
- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: nil).
- Chongqing Dahe Basu Media Co., Ltd., a subsidiary of the Group, is in the process of liquidation.

## CONDENSED CONSOLIDATED INCOME 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 and six months ended 30 June 2008, together with the comparative figures for the corresponding periods in 2007 as follows:

		Unaudited For the three months ended 30 June 2008 RMB'000	Unaudited 2007 RMB'000	Unaudited For the six months ended 30 June 2008 RMB'000	Unaudited 2007 RMB'000
	Notes				
Turnover	2	93,380	77,927	172,722	148,509
Cost of sales		<u>(63,514)</u>	<u>(53,595)</u>	<u>(119,251)</u>	<u>(102,849)</u>
Gross profit		29,866	24,332	53,471	45,660
Other revenue and gain		1,497	198	1,650	(37)
Distribution costs		(8,850)	(7,899)	(17,709)	(15,343)
Administrative expenses		<u>(8,806)</u>	<u>(8,241)</u>	<u>(17,064)</u>	<u>(16,484)</u>
Profit from operations		13,707	8,390	20,348	13,796
Finance costs		<u>(2,551)</u>	<u>(1,581)</u>	<u>(5,101)</u>	<u>(3,454)</u>
Profit before taxation		11,156	6,809	15,247	10,342
Income tax	3	<u>(2,311)</u>	<u>(551)</u>	<u>(2,915)</u>	<u>(1,141)</u>
Profit for the year attributable to:		8,845	6,258	12,332	9,201
Equity holders of the Company		6,908	5,682	10,719	9,359
Minority interests		<u>1,937</u>	<u>576</u>	<u>1,613</u>	<u>(158)</u>
		<u>8,845</u>	<u>6,258</u>	<u>12,332</u>	<u>9,201</u>
Dividend to equity holders of the Company attributable to the period		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Earnings per share					
— Basic (RMB)		<u>0.83 cent</u>	<u>0.68 cent</u>	<u>1.29 cent</u>	<u>1.13 cent</u>

Note: Calculation of the earnings per share in 2007 and 2008 was based on 830,000,000 shares and 830,000,000 shares respectively.

**CONDENSED CONSOLIDATED BALANCE SHEET**

	Unaudited As at 30 June 2008	Audited As at 31 December 2007
Note	RMB'000	RMB'000
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Investment properties	30,897	2,380
Property, plant and equipment	144,719	166,778
Construction in progress	37,457	23,579
Land use rights	2,485	5,168
Available for sale financial asset	19,922	19,922
Goodwill	15,519	15,519
Other intangible assets	3,870	3,221
	<u>254,869</u>	<u>236,567</u>
<b>Current assets</b>		
Inventories	7,369	7,401
Trade and note receivables	86,291	74,316
Other receivables, deposits and prepayments	47,443	44,065
Amounts due from a former subsidiary	1,506	1,506
Amounts due from related companies	61,852	55,863
Bank balances and cash and pledged bank deposits	169,192	171,247
	<u>373,653</u>	<u>354,398</u>

		<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2008</b> <b>RMB'000</b>	Audited As at 31 December 2007 RMB'000
	Note		
<b>Current liabilities</b>			
Bank borrowings, secured		<b>232,000</b>	190,000
Trade payables	5	<b>17,172</b>	21,345
Other payables, deposits received and accruals		<b>14,447</b>	6,545
Deferred advertising income		<b>7,802</b>	27,293
Amounts due to holding company		<b>25,811</b>	25,754
Amounts due to related companies		<b>982</b>	445
Other tax payables		<b>6,344</b>	3,669
Current tax liabilities		<b>—</b>	5,830
		<b>304,558</b>	280,881
Net current assets		<b>69,095</b>	73,517
<b>Net assets</b>		<b>323,964</b>	310,084
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>83,000</b>	83,000
Reserves		<b>220,230</b>	207,963
<b>Equity attributable to equity holders of the Company</b>		<b>303,230</b>	290,963
<b>Minority interests</b>		<b>20,734</b>	19,121
<b>Total equity</b>		<b>323,964</b>	310,084

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium and capital reserve	Statutory surplus reserve	Staff welfare reserve	Retained profits	Total reserves	Minority interests	Total interests
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
At 1 January 2007	83,000	95,914	18,260	—	75,671	189,845	33,753	306,598
Profit for the period	—	—	—	—	9,359	9,359	(158)	9,201
Appropriations from retained profits	—	—	—	—	—	—	—	—
At 30 June 2007	83,000	95,914	18,260	—	85,030	199,204	33,595	315,799
Dividend declared and paid	—	—	—	—	(2,490)	(2,490)	—	(2,490)
Profit for the period	—	—	—	—	11,249	11,249	353	11,602
Appropriations from retained profits	—	—	2,378	—	(2,378)	—	—	—
Proceeds from the disposal and liquidation of subsidiaries	—	—	(983)	—	983	—	—	—
Acquisition of additional equity interest of a subsidiary from a minority equity holder	—	—	—	—	—	—	(689)	(689)
Disposal and liquidation of subsidiaries	—	—	—	—	—	—	(14,138)	(14,138)
At 1 January 2008	83,000	95,914	19,655	—	92,394	207,963	19,121	310,084
Arising from transfer of properties, plants and equipment to investment properties	—	1,548	—	—	—	1,548	—	1,548
Profit for the period	—	—	—	—	10,719	10,719	1,613	12,332
At 30 June 2008	83,000	97,462	19,655	—	103,113	220,230	20,734	323,964

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Unaudited For the six months ended 30 June 2008 RMB'000</b>	Unaudited For the six months ended 30 June 2007 RMB'000
Cash flows from operating activities	(13,809)	16,851
Cash flows from investing activities	(34,976)	(1,678)
Cash flows from financing activities	46,730	(7,018)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(2,055)	8,155
Cash and cash equivalents at the beginning of period	151,247	91,569
	<hr/>	<hr/>
Cash and cash equivalents at the end of period	<b>149,192</b>	<b>99,724</b>
	<hr/> <hr/>	<hr/> <hr/>
Bank balances and cash	169,192	99,724
Less: Pledged bank deposits	(20,000)	—
	<hr/>	<hr/>
	<b>149,192</b>	<b>99,724</b>
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## NOTES TO THE FINANCIAL STATEMENTS:

### 1. BASIS OF PREPARATION

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 relation to 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 “Consolidated and Separates Financial Statements” and HKAS 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 30 June 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 30 June 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 30 June 2008; and (ii) the Group's aggregate amount due from Dahe Basu of approximately RMB1,506,000 as at 30 June 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 30 June 2008.

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 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 annual financial statements of the Group for the year ended 31 December 2007.

## 2. TURNOVER

### Turnover by segments

	For the six months ended 30 June	
	2008 RMB'000 Unaudited	2007 RMB'000 Unaudited
Income from the business of outdoor advertising painting production business	29,621	38,947
Income from the business of terminal dissemination service	50,231	25,706
Income from the business of outdoor media dissemination	<u>92,870</u>	<u>83,856</u>
	<u>172,722</u>	<u>148,509</u>

## 3. INCOME TAX

	For the six months ended 30 June	
	2008 RMB'000 Unaudited	2007 RMB'000 Unaudited
Taxation charges		
PRC income tax	<u>2,915</u>	<u>1,141</u>

#### 4. TRADE AND NOTE RECEIVABLES

The aged analysis of trade and note receivables is as follows:

	Unaudited As at 30 June 2008 RMB'000	Audited As at 31 December 2007 RMB'000
0-90 days	37,878	33,009
91-180 days	8,915	10,795
181-365 days	18,411	19,455
Over 365 days	21,087	11,057
	<u>86,291</u>	<u>74,316</u>

#### 5. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	Unaudited As at 30 June 2008 RMB'000	Audited As at 31 December 2007 RMB'000
0-90 days	8,916	14,763
91-180 days	2,151	2,749
181-365 days	2,803	466
Over 365 days	3,302	3,367
	<u>17,172</u>	<u>21,345</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2008 (the “period under review”), the Group recorded a turnover of approximately RMB172,722,000, representing an increase of approximately 16.3% as compared with the corresponding period of last year. During the period, the Group overcame the factor of increased raw material and labour costs. Profit attributable to shareholders amounted to approximately RMB10,719,000, representing an increase of approximately 14.53% as compared with the corresponding period of last year. As revenue from terminal dissemination service business increased year by year, in order to present the business model of the Group more clearly, the business was separated from media production business and was presented separately. During the period, revenue from media dissemination, terminal dissemination service and media production businesses accounted for approximately 53.77% (2007: 56.47%), 29.08% (2007:17.31%) and 17.15% (2007: 26.22%) respectively of the gross turnover. Earnings per share increased by 14.16% to RMB1.29 cent.

During the period under review, turnover of the Group’s media dissemination business was approximately RMB92,870,000. Currently, the Group owns outdoor media resources of approximately 200,000 square metres and its presence has been extended to various cities throughout the country. During the period, the average launching rate for the Group’s outdoor media continued to maintain approximately 70%.

During the period under review, “Enkon Express Media” project forged ahead steadily and extended from four cities, namely Beijing, Shanghai, Nanjing and Guangzhou, to Hangzhou, Shenzhen, Shenyang and Chengdu, and currently has set up a total of approximately 5,800 “Ankang Classified Express” billboards, which are mainly located at the entrances of medium and high income residential communities. This project had brought approximately RMB15,950,000 revenue and a profit of RMB4,110,000 to the Group during the period under review, representing an increase of 156% and 257% respectively over the same period last year. During the period under review, subsequent to the entering into of a cooperation agreement in the sum of RMB2,900,000 with Guangzhou Development Bank, Enkon Guangzhou further signed a dissemination contract in the sum of RMB14,484,000 with Guangdong Jiaduobao Drink & Food Co., Ltd.. After realizing the advantages of “Ankang Classified Express” in its coverage accuracy and rapid renewals, the company had confirmed its dissemination contract for 2008. In 2008, “Ankang Classified Express” has been expanded to eight major cities in the PRC, with the number of the installed “Enkon Express Media” billboards expected to aggregate to approximately 7,500.

During the period under review, “銀聯社區繳費一站通” of “Enkon Express Media” was developing smoothly, and is being gradually promoted in Nanjing subsequent to the successful completion of the first station of “銀聯社區繳費一站通” at Nanjing Chuangyi East 8 District. Leveraging on the financial transaction platform of China UnionPay, the project provides services such as utility payment, bank card enquiry and transfer, handset charge and e-commerce for community residents. During the period, the Group entered into an agreement on nationwide strategic partnership with the Jiangsu branch of China UnionPay and also entered into an agreement on nationwide strategic partnership with 上海卡友信息服務有限公司, a company acting as the technical platform of China UnionPay. Besides, Jiangsu UnionPay took the initiative to place advertisements with the Group. The installation of “銀聯社區繳費一站通” has significantly increased the attention of media and has more deeply integrated with the livelihood of residents. According to the independent market research undertaken by CTR, the media contact rate of “Enkon Express Media” was 100%; the degree of media acceptance was 90% and the degree of attraction was 89%. With the promotion of “銀聯社區繳費一站通”, it is believed that this project will bring considerable gains to the Group.

During the period under review, the development of the terminal dissemination service business was rapid. The Group continued to deepen innovative designs to provide services such as terminal design, display and decoration and site scenery implementation for customers. The cooperative amounts for rendering terminal dissemination services to Nike and Amway all exceeded RMB10,000,000. During the period, the Group has won the tendering project of “2008 Olympics and Paralympics Site Scenery Implementation Service” through unique innovative designs, which is the only winning enterprise outside Beijing, and is also the only winning enterprise which entered a bid on its own. In addition, the Group has also succeeded in winning the guiding signs of exit systems and billboard renovation projects of Beijing Western Station which is honored as the “Largest Station in Asia” and won the “2008 Olympics and Paralympics Site Symbol Service” project. The above Olympic-related project is anticipated to generate a revenue of over RMB30,000,000 to the Group.

During the period under review, the Group renewed the contract with DuPont Property Insurance successfully, and in addition to the RMB10 million contract of last year, it also entered into a contract worth RMB18 million. The Group plans to launch outdoor media advertisements in more than 30 cities in the PRC. The cooperation with Amway also proceeded smoothly. During the period, it had launched outdoor advertisements of more than RMB10,000,000 for Amway on a nationwide basis. At the same time, the Group has also entered into media dissemination contracts with NIKE, Changan Automobile, 洋河酒業, 神鋼建機 and Suning Appliance.

In February, the Group entered into a share subscription agreement and a media overseas sales agency agreement with MediaCorp Pte Ltd. ("MediaCorp"), a wholly-owned subsidiary of Temasek Holdings (Private) Limited. Pursuant to the subscription agreement, the Group conditionally agreed to allot and issue to MediaCorp 154,000,000 shares of new non-circulating shares, representing approximately 18.55% of the existing issued share capital of the Group, and approximately 15.65% of the enlarged issued share capital of the Group pursuant to the share subscription. In addition, MediaCorp will also acquire part of the Group's domestic shares. After the completion of the acquisition, MediaCorp will become the second largest shareholder of the Company. 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 with technical advice and support.

Being one of the top tier advertising enterprises in China, the Group's quality advertising media packages and diversified professional services have been recognized by fellow enterprises as well as professional bodies. During the period under review, the Group had received various honours and awards, including the "Award for Outstanding Contribution to China's advertising industry in 30 Years" accredited to Mr. He Chaobing, the Group's Chairman, who was elected be the vice chairman of China Advertising Association. In addition, at the third session of the Media Innovation Annual Meeting, Mr. He Chaobing, Chairman of the Group, was crowned with the honour of "The advertiser that has secured the most concern from the Media in China", and the Group was also honored as "The advertising Company that has secured the most concern from the Media in China".

## OUTLOOK

Given the rapid growth of China's economy, national income and purchasing power have increased simultaneously. China has become one of the largest consumer markets in the world, enterprises are paying more attention to their brand image and product popularity in China's market. They also hope to attract more consumer sales by strengthening their brand marketing through advertising. Hence, the Group believes there will be enormous potential in developing China's advertising market and the role of outdoor advertising media business within overall economy will gain rising importance. The Group will increase the growing pace of outdoor advertising in line with the prevailing market development.

After China's accession to WTO, more foreign enterprises will enter China's market as the pace of open policy to the external world accelerated. The launching of international events such as Olympic Games 2008 in Beijing and World Expo 2010 in Shanghai will further stimulate the development of the advertising industry as well as the demand for outdoor advertising services. The Group expects to leverage on the rapid growing opportunities of the advertising market in China and continues to expand its media network to all major provinces in China through various means including self-development, mergers and acquisitions in order to increase the Group's market share in large-scale outdoor advertising media.

In addition to the continuous development of cross-regional advertising media network, the Group will continue to enhance its existing business and develop new outdoor media business proactively, in particular the Group's "Enkon Express Media" project. With the new growth point of the "銀聯社區繳費一站通" project, "Enkon Express Media" is positioned as a "media of high-end lifestyle", and through the financial transaction platform, attracts the attention of residents. In the short run, the advertising value and the posting rate will be increased, which will serve as the basis for developing the e-commerce business gradually in the future, thus creating an integrated information outdoor dissemination transaction platform incorporating advertising plus e-commerce B2C, and having a profound impact on the way of outdoor advertisement dissemination in China.

Looking forward, the Group will continue to expand its business platform by fully leveraging on the existing business network, enhance its service quality and asset size, strengthen corporate governance system, acquire more famous local and foreign clients actively, produce and lease more multi-media advertising, and be dedicated to become the largest media group in the PRC winning respect from the world.

## FINANCIAL REVIEW

### TURNOVER

For the six months ended 30 June 2008 ("Period under review"), the Group's turnover was approximately RMB172,722,000, representing an increase of approximately 16.3% as compared with the corresponding period of last year. The increase was mainly attributable to the increase from the incomes in terminal dissemination service business and media dissemination.

## **GROSS PROFIT**

During the period under review, gross profit was approximately 31%, which was basically equal to that in the corresponding period of last year.

## **DISTRIBUTION COSTS**

During the period under review, distribution costs increased by 15% as compared with the corresponding period of last year. The increase was mainly due to the increase in staff salaries, building rentals and travel expenses.

## **ADMINISTRATION EXPENSES**

During the period under review, administration expenses increased by 4% as compared with the corresponding period of last year.

## **FINANCIAL EXPENSES**

During the period under review, financial expenses were approximately RMB5,101,000, representing an increase of 48% as compared with the corresponding period of last year. The increase was mainly due to the increase in the interest rates of RMB loans in the PRC and the increase of credit facilities.

## **DIVIDENDS**

The Directors do not recommend distribution of an interim dividend for the six months ended 30 June 2008 (2007: 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 30 June 2008, 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 30 June 2008, net current asset was approximately RMB69,095,000 (As at 31 December 2007: approximately RMB73,517,000).

As at 30 June 2008, bank balance and cash held by the Group amounted to approximately RMB169,192,000 (As at 31 December 2007: approximately RMB171,247,000).

As at 30 June 2008, the Group has total bank borrowings of approximately RMB232,000,000 and total assets of approximately RMB628,522,000. Gearing ratio was approximately 37% (As at 31 December 2007: Gearing ratio was approximately 32%).

## **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 reviewing period, the Group has no increase in important investment.

## **IMPORTANT ACQUISITION AND DISPOSAL**

During the reviewing period, the Group has no important acquisition and disposal.

## **STAFF**

As at 30 June 2008, the Group has 1,200 full-time staff. During the period under review, cost of staff was approximately RMB19,680,000 (Corresponding period in 2007: approximately RMB18,760,000).

## **CONTINGENT LIABILITIES**

As at 30 June 2008, the Group has not any material contingent liabilities.

## **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 period under review.

## **DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

None of the Directors nor supervisors of the Company ("Supervisors") nor 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 30 June 2008.

## **RIGHT OF FIRST REFUSAL**

There is no provision of any right of first refusal in the Company's Articles of Association requiring the Company to issue new shares proportionately to the existing shareholders.

## **CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

During the period under review, the Company has continued to adopt a set of transaction standards in respect of securities transactions by directors, which are no less stringent than that stipulated in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific inquiries to all the Directors, and is not aware of any violation of the transaction standards and the standard code in respect of securities transactions by Directors as required.

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

As at 30 June 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") 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 the Rules 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)	405,200,000 domestic shares of RMB0.10 each (L)	69.86%
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:

- 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 Jiangsu Dahe International Advertising Group Co., Ltd. ("Dahe International") which was 90% owned by Mr. He Chaobing.
- Ms. Wang Weijie is the beneficial owner of 3,800,000 domestic shares of RMB0.10 each. She resigned as a director of the Company on 26 February 2008.

Save as disclosed above, as at 30 June 2008, 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' INTEREST AND SHORT POSITION IN SHARES AND UNDERLYING SHARES IN THE COMPANY

### A. Substantial shareholders

As at 30 June 2008, 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	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%
MediaCorp Pte Ltd.	Beneficial Owner	273,000,000 domestic shares of RMB0.10 each (L)	47.07%	32.90%
Temasek Holdings (Private) Limited	Interest of a controlled corporation (note 5)	273,000,000 domestic shares of RMB0.10 each (L)	47.07%	32.90%

Notes:

- The letter "L" denotes the person's/entity's long positions in the domestic shares of the Company.
- The interest in the domestic shares were held through Dahe International which was 90% owned by Mr. He Chaobing.
- Ms. Yan Fen is the wife of Mr. He Chaobing and is deemed to be interested in the shares in which Mr. He Chaobing is interested under the provision of Divisions 2 and 3 of Part XV of the SFO.
- Domestic shares and H Shares of the Company are treated as the same class of shares for such purpose.
- The interest in the domestic shares was held through MediaCorp Pte Ltd. which was 100% owned by Temasek Holdings (Private) Limited.

## B. Other persons who are required to disclose their interests pursuant to Divisions 2 and 3 of Part XV of the SFO

As at 30 June 2008, 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%
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 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 30 June 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

During the period under review, 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 XV 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 Qiao Jun, Mr Li Yijing and Mr Shen Jin.

By Order of the Board

**He Chaobing**

*Chairman and executive Director*

Nanjing, the PRC  
12 August 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 the independent non-executive Directors, and Mr. Li Huafei, Mr. He Lianyi and Ms. Chan E Nam Viveca being the non-executive Directors.*