

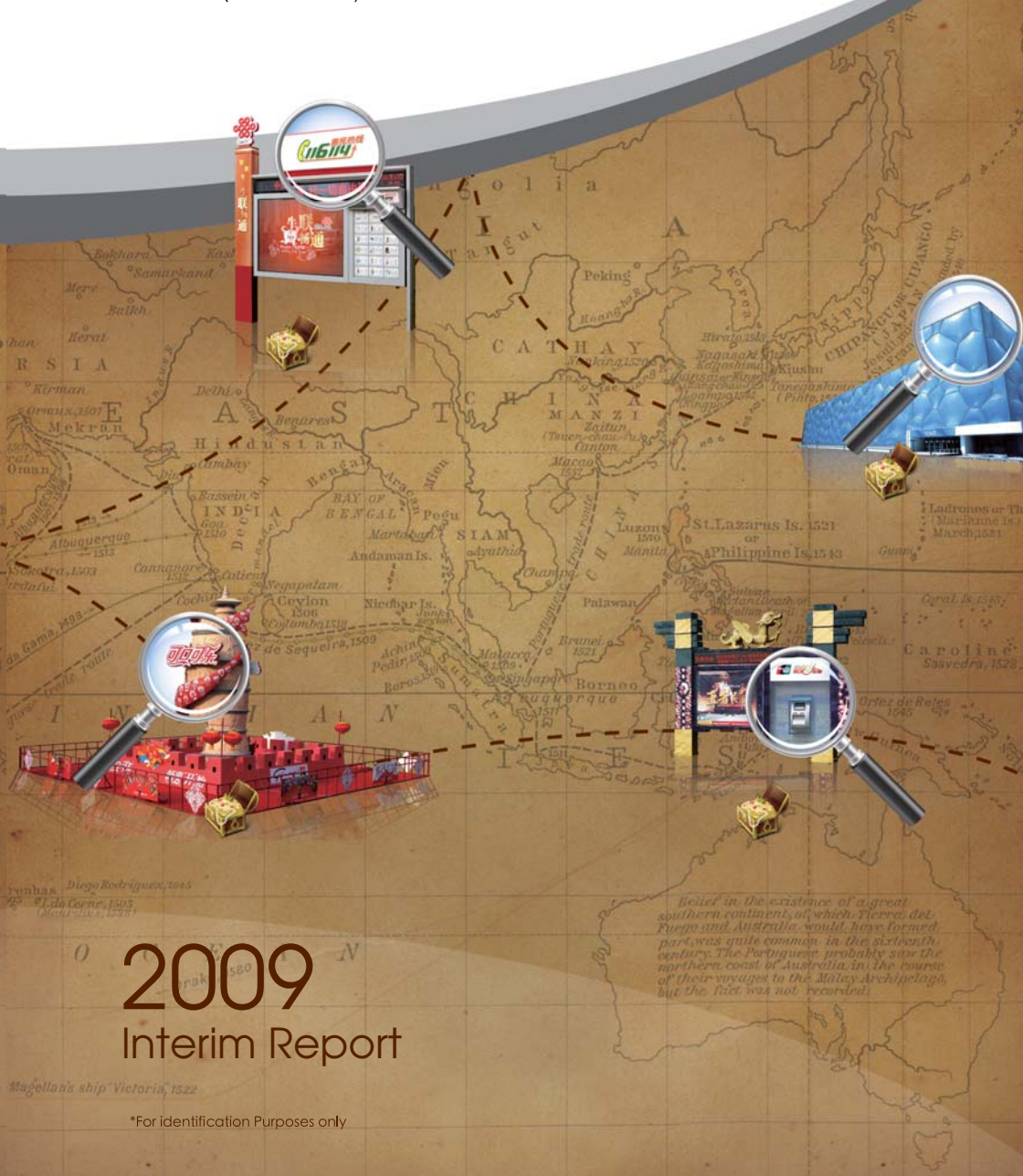


# 大賀傳媒股份有限公司 DAHE MEDIA CO., LTD.\*

(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)



## 2009 Interim 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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*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 2009, the Group realised a turnover of approximately RMB170,892,000, representing a decrease of approximately 1.06% over the same period of 2008.
- Turnover of the Group was mainly from media dissemination, terminal dissemination service and media production businesses, representing approximately 57.07% (2008: 53.77%), 25.38% (2008: 29.08%) and 17.55% (2008: 17.15%) respectively of the gross turnover.
- For the six months ended 30 June 2009, profit attributable to the Group's equity holders was approximately RMB5,985,000, representing a decrease of approximately 44.16% over the same period of 2008. For the three months ended June 2009, the profits attributable to equity holders of the Group was approximately RMB5,623,000, representing a decrease of 18.60% over the same period in 2008.
- Earnings per share were approximately RMB0.72 cent (2008: RMB1.29 cent)
- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: 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 provision for investment impairment of RMB20.30 million during the year ended 31 December 2008.

## 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 2009, together with the comparative figures for the corresponding periods in 2008 as follows:

	Notes	Unaudited For the six months ended 30 June		Unaudited For the three months ended 30 June	
		2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Turnover	3	<b>170,892</b>	172,722	<b>90,334</b>	93,380
Cost of sales		<b>(119,937)</b>	(119,251)	<b>(63,026)</b>	(63,514)
Gross profit		<b>50,955</b>	53,471	<b>27,308</b>	29,866
Other revenue and gain		<b>2,407</b>	1,650	<b>2,726</b>	1,497
Distribution costs		<b>(21,401)</b>	(17,709)	<b>(10,742)</b>	(8,850)
Administrative expenses		<b>(20,429)</b>	(17,064)	<b>(10,384)</b>	(8,806)
Profit from operations		<b>11,532</b>	20,348	<b>8,908</b>	13,707
Finance costs		<b>(3,625)</b>	(5,101)	<b>(1,440)</b>	(2,551)
Profit before taxation		<b>7,907</b>	15,247	<b>7,468</b>	11,156
Income tax	4	<b>(1,317)</b>	(2,915)	<b>(935)</b>	(2,311)
Profit for the period		<b>6,590</b>	12,332	<b>6,533</b>	8,845
Attributable to:					
Owners of the parent		<b>5,985</b>	10,719	<b>5,623</b>	6,908
Non-controlling interests		<b>605</b>	1,613	<b>910</b>	1,937
		<b>6,590</b>	12,332	<b>6,533</b>	8,845
Earnings per share					
— Basic and diluted (RMB)		<b>0.72 cent</b>	1.29 cent	<b>0.68 cent</b>	0.83 cent

Note: Calculation of the earnings per share in 2008 and 2009 was based on 830,000,000 shares and 830,000,000 shares respectively.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited For the six months ended 30 June		Unaudited For the three months ended 30 June	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Profit for the period	<u>6,590</u>	<u>12,332</u>	<u>6,533</u>	<u>8,845</u>
Valuation gain on reclassification as investment properties	<u>—</u>	<u>1,548</u>	<u>—</u>	<u>—</u>
Total comprehensive income for the period	<u>6,590</u>	<u>13,880</u>	<u>6,533</u>	<u>8,845</u>
Attributable to:				
Owners of the parent	<u>5,985</u>	<u>12,267</u>	<u>5,623</u>	<u>6,908</u>
Non-controlling	<u>605</u>	<u>1,613</u>	<u>910</u>	<u>1,937</u>
	<u>6,590</u>	<u>13,880</u>	<u>6,533</u>	<u>8,845</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2009 RMB'000	Audited As at 31 December 2008 RMB'000
	Note		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties		30,856	30,856
Property, plant and equipment		188,950	169,864
Construction in progress		10,663	24,495
Land use rights		2,428	2,457
Available-for-sale financial asset		—	—
Goodwill		15,679	15,679
Other intangible assets		3,490	2,996
Amount due from follow subsidiary		56,479	56,021
Deferred tax assets		4,980	4,980
		<u>313,525</u>	<u>307,348</u>
<b>Current assets</b>			
Inventories		5,512	7,938
Trade and note receivables	5	94,203	85,021
Other receivables, deposits and prepayments		65,450	53,690
Amounts due from a former subsidiary		1,128	1,128
Amounts due from related companies		1,715	1,951
Bank balances and cash and pledged bank deposits		118,328	206,174
		<u>286,336</u>	<u>355,902</u>

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2009</b>	2008
	Note	<b>RMB'000</b>	RMB'000
<b>Current liabilities</b>			
Trade payables	6	27,864	21,518
Other payables, deposits received and accruals		8,124	8,100
Deferred advertising income		27,010	18,899
Amount due to holding company		24,712	44,675
Amounts due to related companies		232	232
Bank borrowings, secured		191,000	250,000
Income tax liabilities		1,331	5,333
Other tax payables		2,665	4,160
		<u>282,938</u>	<u>352,917</u>
Net current assets		<u>3,398</u>	<u>2,985</u>
<b>Net assets</b>		<u><b>316,923</b></u>	<u><b>310,333</b></u>
<b>CAPITAL AND RESERVES</b>			
Share capital		83,000	83,000
Reserves		211,639	205,654
<b>Equity attributable to owners of the parent</b>		<u><b>294,639</b></u>	<u>288,654</u>
<b>Non-controlling interests</b>		<u><b>22,284</b></u>	<u>21,679</u>
<b>Total equity</b>		<u><b>316,923</b></u>	<u><b>310,333</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium and capital reserve	Statutory surplus reserve	Retained profits	Attributable to equity holders to the Company	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
At 1 January 2009	83,000	97,421	21,449	86,784	205,654	21,679	310,333
Profit for the period	—	—	—	5,985	5,985	605	6,590
At 30 June 2009	<u>83,000</u>	<u>97,421</u>	<u>21,449</u>	<u>92,769</u>	<u>211,639</u>	<u>22,284</u>	<u>316,923</u>
At 1 January 2008	83,000	95,914	19,655	92,394	207,963	19,121	310,084
Valuation gain on reclassification as investment properties and income recognised directly in equity	—	1,548	—	—	1,548	—	1,548
Profit for the period	—	—	—	10,719	10,719	1,613	12,332
At 30 June 2008	<u>83,000</u>	<u>97,462</u>	<u>19,655</u>	<u>103,113</u>	<u>220,230</u>	<u>20,734</u>	<u>323,964</u>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited For the six months ended 30 June 2009 RMB'000	Unaudited For the six months ended 30 June 2008 RMB'000
Cash flows from operating activities	(8,396)	(13,809)
Cash flows from investing activities	(14,371)	(34,976)
Cash flows from financing activities	(65,079)	46,730
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(87,846)	(2,055)
Cash and cash equivalents at the beginning of period	206,174	151,247
	<hr/>	<hr/>
Cash and cash equivalents at the end of period	<b>118,328</b>	149,192
	<hr/> <hr/>	<hr/> <hr/>
Bank balances and cash	118,328	169,192
Less: Pledged bank deposits	—	(20,000)
	<hr/>	<hr/>
	<b>118,328</b>	149,192
	<hr/> <hr/>	<hr/> <hr/>



## NOTES TO THE FINANCIAL STATEMENTS:

### 1. BASIS OF PREPARATION

These unaudited consolidated condensed interim financial statements for the six months ended 30 June 2009 have been 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 2008. The accounting policies used in the consolidated condensed interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008.

### 2. PRINCIPAL ACCOUNTING POLICIES

The consolidated condensed interim financial statements has been prepared on the historical cost convention, as modified for the valuation of investment properties which are carried at fair value.

In the current period, the Group has adopted all new and revised standards, amendments and interpretation (“new HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2009. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs May 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs April 2009 <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>3</sup>
HKFRS 1 (Revised)	First-time Adoption of HKFRSs <sup>3</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HK(IFRIC) — Int 9 and HKAS 39 (Amendments)	Embedded Derivatives <sup>4</sup>
HK(IFRIC) — Int 17	Distribution of Non-cash Assets to Owners <sup>3</sup>
HK(IFRIC) — Int 18	Transfers of Assets from Customers <sup>5</sup>

#### Effective dates

- <sup>1</sup> Amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
- <sup>2</sup> Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 as appropriate
- <sup>3</sup> Effective for annual periods beginning on or after 1 July 2009
- <sup>4</sup> Effective for annual periods ending on or after 30 June 2009
- <sup>5</sup> Effective for transfers of assets from customers received on or after 1 July 2009

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### 3. TURNOVER

#### Turnover by segments

	<b>Unaudited</b> <b>For the six months</b> <b>ended 30 June</b> <b>2009</b> <b>RMB'000</b>	Unaudited 2008 RMB'000	<b>Unaudited</b> <b>For the three months</b> <b>ended 30 June</b> <b>2009</b> <b>RMB'000</b>	Unaudited 2008 RMB'000
Income from outdoor advertisement design and production	<b>29,992</b>	29,621	<b>14,564</b>	8,013
Income from terminal dissemination service	<b>43,368</b>	50,231	<b>27,147</b>	36,827
Income from dissemination of outdoor and media advertisements	<b>97,532</b>	92,870	<b>48,623</b>	48,540
	<b>170,892</b>	172,722	<b>90,334</b>	93,380

## 4. INCOME TAX

	Unaudited For the six months ended 30 June 2009 RMB'000	Unaudited 2008 RMB'000	Unaudited For the three months ended 30 June 2009 RMB'000	Unaudited 2008 RMB'000
Taxation charges				
PRC income tax	1,317	2,915	935	2,311

## 5. TRADE AND NOTE RECEIVABLES

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

	Unaudited As at 30 June 2009 RMB'000	Audited As at 31 December 2008 RMB'000
0-90 days	42,412	39,461
91-180 days	16,829	12,974
181-365 days	14,075	15,008
Over 365 days	20,887	17,578
	<u>94,203</u>	<u>85,021</u>

Trade receivables are due within 30 days from the date of billing.

## 6. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	Unaudited As at 30 June 2009 RMB'000	Audited As at 31 December 2008 RMB'000
0-90 days	16,424	14,520
91-180 days	4,441	2,290
181-365 days	3,644	2,492
Over 365 days	3,355	2,216
	<u>27,864</u>	<u>21,518</u>



## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2009 (the “Period under Review”), the Group achieved a turnover of approximately RMB170,892,000, representing a decrease of approximately 1.06% over the same period last year. Profit attributable to the Company’s equity holders was approximately RMB5,985,000, representing a decrease of approximately 44.16% over the same period last year, which was mainly due to the impact of economic environment, clientele development and the increase of maintenance cost and corporate expenses. During the period, turnover from media dissemination, terminal dissemination service and media production businesses represented approximately 57.07% (2008: 53.77%), 25.38% (2008: 29.08%) and 17.55% (2008: 17.15%) respectively of the gross turnover. Earnings per share decreased to RMB0.72 cent.

During the Period under Review, the Group’s turnover from dissemination outdoor and media advertisements amounted to approximately RMB97,532,000, representing an increase of approximately 5.02% over the same period last year. Currently, the Group has outdoor media resources of approximately 200,000 square metres with coverage in all major cities across China. During the period, the average launching rate of the Group’s outdoor media was maintained at approximately 70%.

During the period, the influence of the “Enkon Express Media” continued to increase. Currently, approximately 9,000 advertising boards targeting 8,000,000 households with medium and high income in nearly 5,000 communities have been set up. During the Period under Review, this project contributed a turnover of approximately RMB25,890,000 and a profit of approximately RMB2,920,000 to the Group. Turnover represented a growth of 62.32% over same period last year. However, since the cities newly developed in the third quarter 2008 are still in project construction stage which brought no economic benefits, there was a decrease in profits of 29% as compared with the same period last year. Its innovative “Onestop Payment with UnionPay” project was upgraded into an integrated community media service station. Self-service payment machines with “Enkon Express Media” as the carrier have been launched in nearly 100 communities. 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 90% and the degree of attraction was 89%. The coverage has been extended to Beijing, Shanghai, Nanjing, Guangzhou, Hangzhou, Shenzhen, Shenyang and Chengdu. This brought outdoor media dissemination resources of approximately 50,000 square metres to the Group.



During the period, “Enkon Express Media” focused on expansion into sectors including fast moving consumer goods, travel, dairy products, finance and insurance and shopping malls. It has entered into a cooperation agreement with a contract value of more than RMB15,860,000 million with Wang Laoji, and has entered into cooperation agreements, each with a contract value of more than RMB1 million, with various customers such as Suning, Sanyuan (三元乳品), Qiandao Lake Travel (千島湖旅遊), ICBC, LensCrafters (亮視點), Tetra Pak and Haday (海天食品). It also has commenced cooperation with China Construction Bank, Huaxia Bank, Bank of Communications, Wal-mart, Macalline, Decathlon, Carrefour, Toyota Motor, Wuzhen (烏鎮) and customers from the securities sector. The Group believes these projects will bring considerable returns to the Group.

As a breakthrough made by the Group in outdoor media, “Enkon Express Media” was upgraded into “Enkon Express Media 3.0” incorporating e-commerce features, which makes use of vivid LCD display system and frame transformation, providing the clients with personalized promotion products. Enkon Express 3.0 has a number of functions including commonweal community information dissemination, self-help payment, coupon printing and incorporates various high-tech functions such as wireless transmission and receiving and real-time information update. This kind of personalized media has attracted the attention of numerous bank clients. Through the interaction between Enkon Express and the bank branches, a small community dissemination service with financial products of the bank sold in small community and the target client groups accurately reached was realized. At present, Enkon Express Media aroused huge market reaction and a number of bank clients have entered into cooperation agreements with an aggregate contract value of RMB 2,150,000. The Group expects to expand this brand-new information platform to the whole country with Jiangsu as the starting point so as to open up a new prospect for dissemination.

During the period, “Outdoor Media” has commenced cooperation, each with a contract value of more than RMB1 million, with Wuzhen Travel (烏鎮旅遊), Skyworth, Kebelco (神鋼), Changan, Jiangsu Guangxia (江蘇廣廈), Nanjing Evening (金陵晚報) and Marykay. It also has entered into a media agency agreement with a contract value of more than RMB14 million and a media dissemination contract with a contract value of more than RMB4 million with Amway and Wuzhen Travel, respectively.

The Group continued to further its terminal dissemination service business during the period. As of 30 June 2009, turnover of the terminal dissemination service business amounted to approximately RMB43,368,000, a decrease of approximately 13.66% over the same period last year.



During the Period under Review, “Terminal Dissemination” continued to serve customers such as Nike, Wang Laoji, Riich (瑞麒汽車), Wal-mart, Shell, New Balance (新百輪), Quanyou (全友), and the Agricultural Bank of China. In particular, the contracted value for the Nike project amounted to nearly RMB11.50 million, and the contracted value for the Wang Laoji project amounted to nearly RMB8.7 million. In view of the opportunities brought by international events including the 60th anniversary of the foundation of the People’s Republic of China, 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 exterior window coating project of the Conference Centre of National People’s Congress, the signboard production project of Beijing Municipal Bureau of Press and Publication, the logo and doorplate sign project of the Agricultural Bank of China, Beijing branch, the signboard project of Bank of China, Anhui branch, the 2009 printing project of China Mobile, Nanjing sub-branch, Jiangsu branch, the terminal production project of Vanguard, Hangzhou, the shop logo upgrade project of the Shanghai New Station (上海新客站), the material production project of Fila Sports Company Limited (斐樂體育用品有限公司). Currently, the Group is following up with several major projects won, and certain projects are still under way.

During the Period under Review, turnover of the Group’s outdoor advertisement design and production business was approximately RMB29,992,000, representing an increase of approximately 1.25% as compared with the corresponding period of last year and accounting for approximately 17.55% of the Group’s total turnover.

During the period, the Group established an activity operation centre, developed customer end marketing strategic activity partners by capitalising on the Company’s background, network, production team and logistics system advantages, and made full use of the activity platform to undertake large-scale events and explore new profit growth points.

During the period, the Group also undertook internal control tasks and formulated and refined system documents such as production technology management, supply chain management, financial management and document management, and monitored the implementation of systems such as sample production, procurement management, fees reimbursement and project cost accounting. The direct participation by the internal control department in key project customer cost management will effectively increase project profit room.

In February 2008, the Group entered into a share subscription agreement with MediaCorp Pte Ltd (“MediaCorp”), a wholly-owned subsidiary of Temasek Holdings (Private) Limited. On 15 April 2009, the Group received a notice from MediaCorp to terminate the share subscription agreement.



During the period, Chongqing Dahe Bashu Media Co., Ltd. (重慶大賀巴蜀傳媒有限公司), a subsidiary of the Group, was still under the liquidation process. In September 2007, outdoor media resources were distributed before the court and the Group had been allocated 11,552.50 square metres of outdoor media resources. Later, because of reasons such as the expiry of the leases for some premises and government regulation, up to present, media resources have been reduced by 4,212.8 square metres. The remaining media resources of 7,339.7 square metres are under sales.


In February 2009, entrusted by the liquidation team of Chongqing Dahe Bashu Media Co., Ltd., the Chongqing Municipal Fifth Intermediate People's Court conducted public auction for the 10% equity interests in Sichuan Xintianjie Media Technology Development Co., Ltd. (四川新天杰傳媒科技發展有限責任公司) held by Chongqing Dahe Bashu Media Co., Ltd. The Company concluded the transaction at the bid price of RMB500,000. Upon completing the conclusion procedures, the Company will hold 60% equity interests in Sichuan Xintianjie Media Technology Development Co., Ltd. (四川新天杰傳媒科技發展有限責任公司).

As one of the top advertising enterprises in China, the Group has won recognition from peers and professional institutions with its quality media mix and diversified professional services. During the Period under Review, the Group received a number of honours and rewards. In particular, the Group was named as the "Medium of Highest Investment Value" for its "Enkon Express Media 3.0" at the "08 China Media Investment Annual Conference", and our Chairman, Mr. He Chaobing, was named as a "08 China New Media Personality" for his new media 3.0 theory and he was also appointed as a visiting professor at the School of Journalism and Communication of Nanjing University.

## Outlook

China's economy has yet to fully recover from the impacts of the financial tsunami, and the Chinese government has introduced various market rescue plans to stimulate economy. In the medium-to-long term, China's economy is driven by domestic consumption, and therefore various policies have been adopted to promote domestic consumption. Faced with the pressure brought by the financial tsunami and the international market, many foreign or domestic enterprises understand that they have to count on domestic demand to maintain and develop business, especially consumer goods enterprises, whose expenditure in advertising has increased rather than decreased. The Group's customer base is mainly comprised of domestic consumer goods enterprises. Benefiting from the domestic consumption stimulus plans of the central government, we are optimistic about the future of the Chinese advertising industry. In the second half of the year, the Group will adopt flexible strategies to adapt to market needs, so as to increase our market share to maximize the profit.





International events such as the 60th anniversary of the foundation of the People's Republic of China, the 2010 Shanghai World Expo and the 2010 Guangzhou Asian Games have brought great opportunities to China's advertising market, and the demand for outdoor advertising has increased. In the meantime, however, the Chinese government plans to introduce new legislations to govern outdoor media and regulate outdoor advertising in 2009. The reason for the regulation is that the disordered outdoor advertisements not only have affected traffic and city's profile, but also have harmed China's image. The regulation of outdoor advertisements has spread to cities across China, and local governments have taken various measures, such as allocation, open tender and auction, to deal with outdoor advertisements. As a top professional outdoor media operator, the Group may take this opportunity to consolidate its position in the outdoor media industry.

It is expected that the lingering impact of the financial tsunami will continue throughout 2009 and 2010. In addition to strengthening its existing business and establishing new business platforms, the Group will actively consider taking countermeasures to minimize the impact of the new outdoor advertising regulations formulated by the central government on the revenue and market share of the Group's outdoor advertising business. The Group will allocate more resources and enhance its sales team to promote Enkon 3.0, and will actively seek strategic partners to increase its market penetration rate and expand its business into all of the major provinces in China. Through actively developing domestic and international renowned customers, improving our service quality, increasing our assets, strengthening our corporate governance system, and lifting the production rate and lease rate of multimedia system advertisements, we are committed to becoming one of the strongest media Group in China which has the greatest power of influence and is respected in the world.

## **FINANCIAL REVIEW**

### **TURNOVER**

For the Period under Review, the Group's turnover was approximately RMB170,892,000, representing a decrease of approximately 1.06% as compared with the corresponding period of last year.

### **GROSS PROFIT**

During the Period under Review, gross profit was approximately 29.82%, representing a decrease of approximately 1.14 percentage points over 30.96% of the corresponding period of last year.

### **DISTRIBUTION COSTS**

During the Period under Review, distribution costs increased by 20.85% as compared with the corresponding period of last year. The increase was mainly due to the increase in staff salaries and coordination, building rentals and business promotion expenses.



## **ADMINISTRATION EXPENSES**

During the Period under Review, administration expenses increased by 19.72% as compared with the corresponding period of last year, mainly attributable to an increase in provision for bad debts and the increase in development expenses of new projects.

## **FINANCIAL EXPENSES**

During the Period under Review, financial expenses were approximately RMB3,625,000, representing a decrease of 28.94% as compared with the corresponding period of last year.

## **DIVIDENDS**

The Directors do not recommend distribution of an interim dividend for the six months ended 30 June 2009 (2008: 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 2009, the Group has 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 2009, net current asset was approximately RMB3,398,000 (As at 31 December 2008: approximately RMB2,985,000).

As at 30 June 2009, bank balance and cash held by the Group amounted to approximately RMB118,328,000 (As at 31 December 2008: approximately RMB206,174,000).

As at 30 June 2009, the Group has bank borrowings of approximately RMB191,000,000 and total assets of approximately RMB599,861,000. Gearing ratio was approximately 32% (As at 31 December 2008: Gearing ratio was approximately 38%).

## **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 30 June 2009, the Group has about 1,200 full-time staff. During the Period under Review, cost of staff was approximately RMB26,356,000 (Corresponding period in 2008: approximately RMB19,680,000).

## **CONTINGENT LIABILITIES**

As at 30 June 2009, the Group does not have 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 2009.

## **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 2009, 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:

- 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.

Save as disclosed above, as at 30 June 2009, 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 30 June 2009, 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.
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 30 June 2009, 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 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 2009 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 15 of the GEM Listing Rules of the Stock Exchange in any time during the accounting period covered under the current report.

## **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 30 June 2009 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.



## 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 interim report in accordance with the GEM Listing Rules.

By Order of the Board  
**He Chaobing**  
Chairman

Nanjing, the PRC  
11 August 2009

*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.*