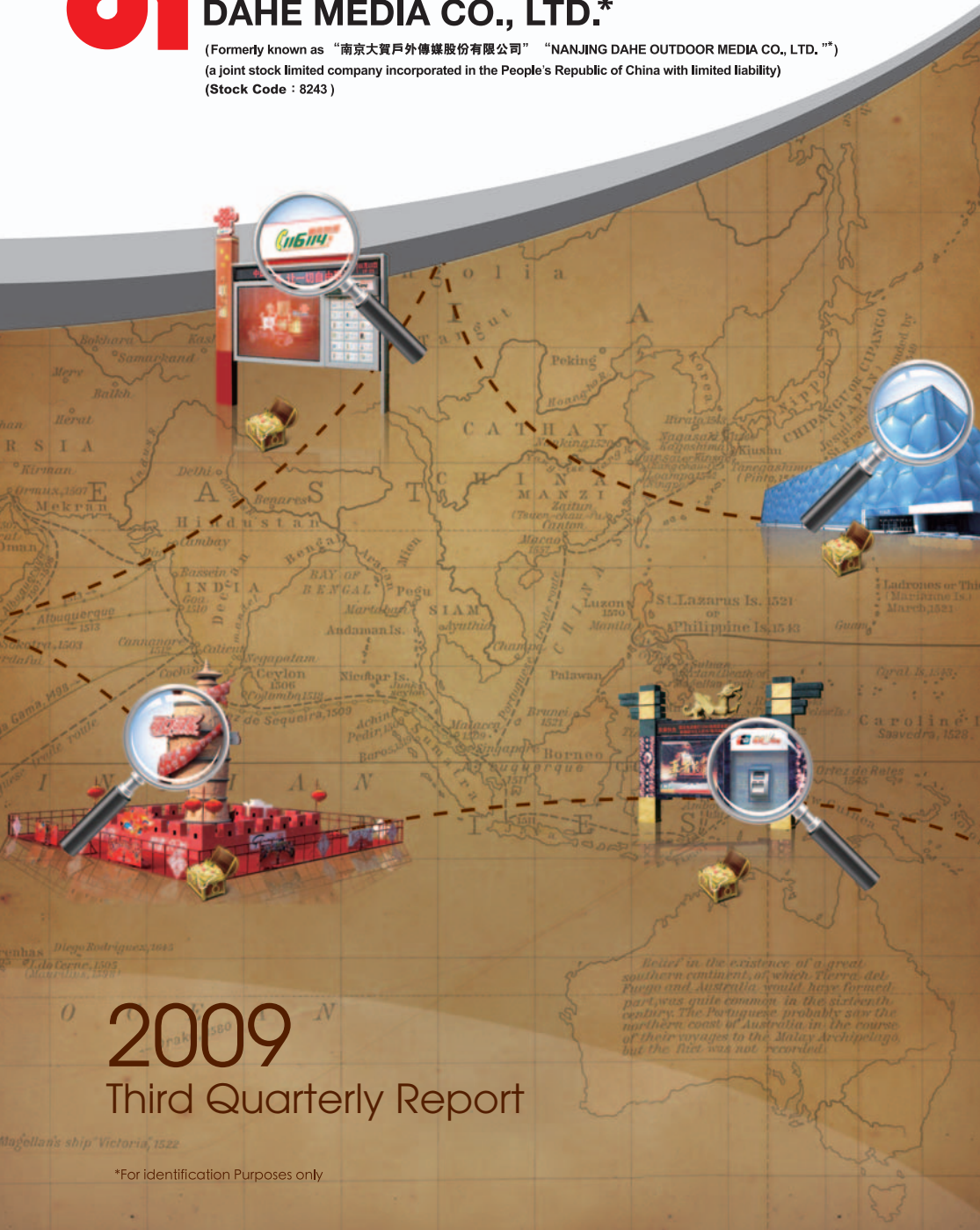




大賀傳媒股份有限公司 DAHE MEDIA CO., LTD.*

(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

Third Quarterly Report

*For identification Purposes only

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.

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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 nine months ended 30 September 2009, the Group achieved a turnover of approximately RMB254,069,000, representing a decrease of approximately 6.51% over the same period of 2008.
- Gross turnover for the nine months ended 30 September 2009 of the Group was mainly attributed from outdoor media dissemination, terminal dissemination service and outdoor advertising painting production businesses, representing approximately 57.31% (2008: 51.06%), 25.45% (2008: 33.99%) and 17.24% (2008: 14.95%) respectively.
- For the nine months ended 30 September 2009, profit attributable to the owners of the parent was approximately RMB8,136,000 representing a decrease of approximately 56.94% over the same period of 2008.
- Earnings per share were approximately RMB0.98 cent (2008: RMB2.28 cent).
- The Board do not recommend the payment of dividend for the nine months ended 30 September 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 impairment losses on available-for-sale financial asset and amount due from a former subsidiary of RMB20,300,000 for the year ended 31 December 2008.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Board of Directors (“Directors”) 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 nine months and three months ended 30 September 2009, together with the comparative figures for the corresponding periods in 2008 as follows:

		Unaudited For the nine months ended 30 September 2009	Unaudited 2008	Unaudited For the three months ended 30 September 2009	Unaudited 2008
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	3	254,069	271,770	83,177	99,048
Cost of sales		(177,725)	(185,951)	(57,788)	(66,700)
Gross profit		76,344	85,819	25,389	32,348
Other revenue and gain		3,381	2,164	974	514
Distribution costs		(31,050)	(26,859)	(9,649)	(9,150)
Administrative expenses		(29,776)	(25,157)	(9,347)	(8,093)
Profit from operations		18,899	35,967	7,367	15,619
Finance costs		(6,317)	(8,984)	(2,692)	(3,883)
Profit before taxation		12,582	26,983	4,675	11,736
Income tax	4	(3,111)	(4,630)	(1,794)	(1,715)
Profit and other comprehensive income for the period		9,471	22,353	2,881	10,021
Profit and other comprehensive income attributable to:					
Owners of the parent		8,136	18,896	2,151	8,177
Non-controlling interests		1,335	3,457	730	1,844
		9,471	22,353	2,881	10,021
Earnings per share					
- Basic and diluted (RMB)	5	0.98 cent	2.28 cent	0.26 cent	0.99 cent

NOTES TO THE FINANCIAL STATEMENTS:

1. BASIS OF PREPARATION

These unaudited quarterly results of the Group for the nine months ended 30 September 2009 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting standards (“HKASs”) and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Chapter 18 of the GEM Listing Rules.

The accounting policies adopted 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 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.

3. TURNOVER

Turnover by segments

	Unaudited For the nine months ended 30 September 2009 RMB’000	Unaudited 2008 RMB’000	Unaudited For the three months ended 30 September 2009 RMB’000	Unaudited 2008 RMB’000
Income from the business of outdoor advertising painting production business	43,798	40,617	13,806	10,996
Income from the business of terminal dissemination service	64,667	92,386	21,299	42,155
Income from the business of outdoor media dissemination	145,604	138,767	48,072	45,897
	<u>254,069</u>	<u>271,770</u>	<u>83,177</u>	<u>99,048</u>

4. INCOME TAX

	Unaudited For the nine months ended 30 September 2009 RMB'000	Unaudited 2008 RMB'000	Unaudited For the three months ended 30 September 2009 RMB'000	Unaudited 2008 RMB'000
Taxation charges				
PRC income tax	3,111	4,630	1,794	1,715

5. EARNINGS PER SHARE

The calculation of earnings per share for the nine months ended 30 September 2009 is based on the unaudited profit attributable to owners of the parent of approximately RMB8,136,000 (2008: RMB18,896,000) and the 830,000,000 (2008: 830,000,000) ordinary shares in issue during the period.

6. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share premium and capital reserves RMB'000 Unaudited	Statutory surplus reserve RMB'000 Unaudited	Retained profits RMB'000 Unaudited	Attributable to owners of the parent RMB'000 Unaudited
As at 1 January 2009	97,421	21,449	86,784	205,654
Profit for the period	—	—	8,136	8,136
As at 30 September 2009 (unaudited)	<u>97,421</u>	<u>21,449</u>	<u>94,920</u>	<u>213,790</u>
As at 1 January 2008	95,914	19,655	92,394	207,963
Dividend declared and paid	—	—	(5,561)	(5,561)
Valuation gain on reclassification as investment properties and income recognised directly in equity	1,548	—	—	1,548
Profit for the period	—	—	18,896	18,896
As at 30 September 2008 (unaudited)	<u>97,462</u>	<u>19,655</u>	<u>105,729</u>	<u>222,846</u>


MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended 30 September 2009 (the "Period"), the Group achieved a turnover of approximately RMB254,069,000 (2008: RMB271,770,000), representing a decrease of approximately 6.51% over the same period of 2008; Profit and other comprehensive income attributable to the owners of the parent was approximately RMB8,136,000 (2008: RMB18,896,000), representing a decrease of approximately 56.94% over the same period of 2008. Such a decrease was attributable to the facts that the advertising industry slowed down due to the lingering impact of the global financial crisis in the first half of 2009. A majority of advertisers tended to adopt a conservative strategy towards advertising expenditure; advertising investment slowed down caused the increase of clientele development and maintenance cost. In addition, there was a further increase of corporate expenses due to the increase in domestic labour costs and office rental expenses as the competition intensified in the industry.

During the Period, turnover from outdoor media dissemination, terminal dissemination service and outdoor advertising painting production businesses represented approximately 57.31% (2008: 51.06%), 25.45% (2008: 33.99%) and 17.24% (2008: 14.95%) respectively of the gross turnover. Earnings per share decreased to RMB0.98 cent. The Directors do not recommend distribution of a quarterly dividend (2008: nil).

During the Period, the Group's turnover from media dissemination amounted to approximately RMB145,604,000, representing an increase of approximately 4.93% over the same period of 2008. 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 Group's outdoor media maintained an average launching rate of approximately 70% with its customers mainly from various industries such as fast moving consumer goods, machineries, real estates and tourism.

The influence of the "Enkon Express Media" continued to increase. Currently, approximately 10,000 advertising boards targeting 8,000,000 households with medium and high income in nearly 5,000 communities have been set up. 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 under Review, this project contributed a turnover of approximately RMB42,190,000 and a profit of approximately RMB5,410,000 to the Group, turnover represented a growth of 43.07% over the same period of 2008. However, since those cities newly developed in the third quarter 2008 are still under construction stage which brought no economic benefits, there was a decrease in profits of 35.36% as compared with the same period of 2008. During the Period, optimisation of the media site resources of the "Enkon Express Media" was still underway with an aim to improve its media quality. 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%. “Enkon Express Media” has entered into a contract with a value of RMB1,000,000 with P&G (寶潔) for the next three quarters; and a number of dissemination agreements with, among others, Mazda (長安馬自達), Chevrolet (雪弗萊樂馳), Skyworth (創維), Jingdu Wine (京都酒), Nulanshan (牛欄山) and Red Star (紅星). The Group believes these projects will bring sustainable 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 personalised promotion products. In addition to its existing pure media dissemination, Enkon Express Media 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 personalised 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 realised. During the Period, Enkon Express Media 3.0 entered into cooperation agreements with a number of bank clients such as ICBC with an aggregate contract value of nearly RMB3,000,000. 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 with Amway (安利), Kebelco (神鋼), Yanghe Distillery (洋河酒業), Du-bang Insurance (都邦保險), Mingfa Group (明發集團) and Skyworth (創維). It has entered into a cooperation agreement with a contract value of approximately RMB17,000,000 with Amway (安利).

The Group continued to further its terminal dissemination service business during the Period. As of 30 September 2009, turnover of the terminal dissemination service business amounted to approximately RMB64,670,000, a decrease of approximately 30% over the same period of 2008.

During the Period, “Terminal Dissemination” continued to serve customers such as Nike, Wang Laoji, Wal-mart and Shell. In particular, the contracted value for the Nike project in the Period amounted to over RMB6,900,000 and a significant breakthrough was made in the third quarter for Wal-mart project as the Group became the most important signboard supplier of Wal-mart with an increase in contract value by nearly RMB4,000,000. 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 Pudong Airport project. Currently, the Group is following up with several major projects won.



During the Period, turnover of the Group's outdoor advertising painting production business was approximately RMB43,798,000, accounting for approximately 17.24% of the Group's total turnover. It represented an increase of approximately 7.83% as compared with the same period of 2008.

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, explore new profit growth points and have successfully organised a grand opening ceremony for 梁況酒業. We were commissioned by the office of the "Committee for Application for Hosting the 2014 the Second Summer Youths' Olympic Games" in Nanjing City to undertake the marketisation operation for application for hosting the 2014 Youths' Olympic Games, and have successfully introduced 雷士照明 to be the first company sponsoring the application for hosting the Youths' Olympic Games.

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

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, 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.

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 11,552.5 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. (四川新天傑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 hold 60% equity interests in Sichuan Xintianjie Media Technology Development Co., Ltd. (四川新天傑傳媒科技發展有限責任公司).

Further, the Company has engaged Guangdong Securities Limited as its compliance adviser for the period from 13 July 2009 to 12 July 2011. It has also engaged RSM Nelson Wheeler Consulting Limited as its consultant to review its internal control and has submitted a review report and a follow up report to the Stock Exchange on 10 August 2009 and 9 October 2009 respectively.

OUTLOOK

In 2009, the impact of the repercussions of the global financial crisis to the advertising market still persists, but in the Chinese market, in spite of a relatively greater impact on the export-oriented economic fields, the fundamental trend for the consumer market is generally stable. Driven by the effective policies and strategies implemented by government to stabilise and promote economic development, as well as the favourable factor of the inflow of international brands to the Chinese market, the Chinese advertising market will soon recover. There is still ample room for the development of the advertising industry and it shows an overall stable and continuous development. In July 2009, the State Council approved the "Revitalisation Plan of Cultural Industry", Chinese Premier Wen Jiabao instructed that the creative industry should be fully developed and the advertising industry is one of the subjects of the eight major tasks specified in this revitalization plan. This is an obvious encouragement to the advertising industry.

In view of such positive factors and the fact that we were benefited by the plans adopted by the central government to stimulate domestic consumption, we are optimistic towards the prospect of the advertising industry of China in the future. The Group's customer base is mainly focused on domestic consumable commodities and may benefit directly from the improved economy. The Group will continue to make flexible strategies for the last quarter of the year in line with the demand of the market with a view to maximise profits by expanding its market shares.



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 such regulation and strive to secure more high value-added resources for outdoor advertisements. At the same time, it is expected that more companies with foreign investments will be attracted to invest in outdoor advertisements to capture the huge market of China.

International events such as the 2010 Shanghai World Expo, the 2010 Guangzhou Asian Games will bring opportunities for China to demonstrate its rapid growth and prosperity to the world. The Group will make use of this opportunity and actively bid for projects of advertising display boards in World Expo halls. It will also employ its successful experience obtained from the Olympic Games and actively participate in bidding for the special project of sign boards of Guangzhou Asian Games. Meanwhile, the Group will devote more resources to promote “Enkon Express Media” 3.0 and facilitate its end housekeeping service strategy, and make an active effort to expand its new information platform across the country. The Group will endeavour to maintain its leading edge in providing supply and dissemination services via a nationwide network by actively soliciting renowned customers from domestic and abroad, improving service quality and asset scale, enhancing corporate governance system and increasing the production and lease rates of multi-media system advertisements.

FINANCIAL REVIEW

TURNOVER

During the Period, the Group’s turnover was approximately RMB254,069,000, representing a decrease of approximately 6.51% as compared with the corresponding period of 2008.

GROSS PROFIT

During the Period, gross profit was approximately 30.05%, representing a decrease of approximately 1.53 percentage points over 31.58% of the corresponding period of last year.

DISTRIBUTION COSTS

During the Period, distribution costs increased by 15.6% as compared with the corresponding period of 2008. The increase was mainly due to the increase in staff salaries and coordination, building rentals and business promotion expenses.



ADMINISTRATION EXPENSES

During the Period, administration expenses increased by 18.36% as compared with the corresponding period of 2008, mainly attributable to an increase in provision for bad debts and the increase in development expenses of new projects.

FINANCIAL EXPENSES

During the Period, financial expenses were approximately RMB6,317,000, representing a decrease of 29.69% as compared with the corresponding period of 2008.

DIVIDENDS

The Directors do not recommend distribution of an interim dividend for the nine months ended 30 September 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 September 2009, 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 September 2009, net current asset was approximately RMB9,210,000 (As at 31 December 2008: approximately RMB2,980,000).

As at 30 September 2009, bank balance and cash held by the Group amounted to approximately RMB112,570,000 (As at 31 December 2008: approximately RMB206,170,000).

As at 30 September 2009, the Group has total bank borrowings of approximately RMB181,000,000 and total assets of approximately RMB617,340,000. Gearing ratio was approximately 29% (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, the Group has no increase in important investment.

IMPORTANT ACQUISITION AND DISPOSAL

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

STAFF

As at 30 September 2009, the Group has about 1,064 full-time staff. During the Period, cost of staff was approximately RMB29,620,000 (Corresponding period in 2008: approximately RMB24,760,000).

CONTINGENT LIABILITIES

As at 30 September 2009, 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 September 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, 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 September 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 and 10% owned by Mr. He Pengjun, who is the son of Mr. He Chaobing.

Save as disclosed above, as at 30 September 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 September 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 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 30 September 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 September 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, 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 September 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 third quarterly report in accordance with the GEM Listing Rules.

By Order of the Board
He Chaobing
Chairman

Nanjing, the PRC
12 November 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.