



大賀傳媒股份有限公司 DAHE MEDIA CO., LTD.*

(Formerly known as “南京大賀戶外傳媒股份有限公司” “NANJING DAHE OUTDOOR MEDIA CO., LTD.”*)
(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code : 8243)



2010 Third Quarterly Report

*For identification Purposes only

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This announcement, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects, not misleading or deceptive, and there are no other matters the omission of which would make this announcement or any statement therein misleading.



HIGHLIGHTS

- For the nine months ended 30 September 2010, the Group achieved a turnover of approximately RMB287,897,000, representing an increase of approximately 13.3% over the same period of 2009.
- Gross turnover for the nine months ended 30 September 2010 of the Group was mainly attributed from media dissemination, terminal dissemination service and media production businesses, representing approximately 55.69% (2009: 57.31%), 29.04% (2009: 25.45%) and 15.27% (2009: 17.24%) respectively of the gross turnover.
- For the nine months ended 30 September 2010, profit attributable to the equity holders of the Group was approximately RMB10,066,000 representing an increase of approximately 23.72% over the same period of 2009.
- Earnings per share were approximately RMB1.21 cent (2009: RMB0.98 cent).
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2010 (2009: nil).



CONDENSED 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 2010, together with the comparative figures for the corresponding periods in 2009 as follows:

	Notes	Unaudited For the three months ended 30 September		Unaudited For the nine months ended 30 September	
		2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Turnover	3	109,861	83,177	287,897	254,069
Cost of sales		(79,297)	(57,788)	(202,024)	(177,725)
Gross profit		30,564	25,389	85,873	76,344
Other revenue and net gain		(755)	974	(363)	3,381
Distribution costs		(9,636)	(9,649)	(27,979)	(31,050)
Administrative expenses		(10,720)	(9,347)	(31,760)	(29,776)
Finance costs		(3,063)	(2,692)	(8,240)	(6,317)
Profit before taxation		6,390	4,675	17,531	12,582
Income tax	4	(963)	(1,794)	(2,590)	(3,111)
Profit and total comprehensive income for the period		5,427	2,881	14,941	9,471
Profit and other comprehensive income attributable to:					
Owners of the Company		2,730	2,151	10,066	8,136
Non-controlling interests		2,697	730	4,875	1,335
		5,427	2,881	14,941	9,471
Earnings per share					
- Basic and diluted (RMB)	5	0.33 cent	0.26 cent	1.21 cent	0.98 cent



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

1. BASIS OF PREPARATION

These unaudited quarterly results of the Group for the nine months ended 30 September 2010 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.

2. PRINCIPAL ACCOUNTING POLICIES

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

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 2009.

3. TURNOVER

Turnover, which is also revenue, represents the invoiced value of goods sold and service provided to customers after any allowance and discounts and is analysed as follows:

Turnover by segments

	Unaudited		Unaudited	
	For the three months ended 30 September		For the nine months ended 30 September	
	2010	2009	2010	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Income from the business of media dissemination	55,216	48,072	160,332	145,604
Income from the business of terminal dissemination service	40,011	21,299	83,601	64,667
Income from the business of media production business	14,634	13,806	43,964	43,798
	<u>109,861</u>	<u>83,177</u>	<u>287,897</u>	<u>254,069</u>

4. INCOME TAX

	Unaudited		Unaudited	
	For the three months ended 30 September		For the nine months ended 30 September	
	2010	2009	2010	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Provision for PRC income tax	963	1,794	2,590	3,111



5. EARNINGS PER SHARE

The calculation of the basic earnings per share for the nine months ended 30 September 2010 is based on the unaudited profit attributable to owners of the Company of approximately RMB10,066,000 (2009: RMB8,136,000) and the weighted average number of shares in issue of 830,000,000 (2009: 830,000,000) during the period.

The Company has no dilutive potential shares in issue during the period (2009: Nil).

6. RESERVES

	Share premium and capital reserves RMB'000 Unaudited	Statutory surplus reserve RMB'000 Unaudited	Retained profits RMB'000 Unaudited	Attributable to owners of the Company RMB'000 Unaudited
As at 1 January 2009	97,421	21,449	86,784	205,654
Profit and total comprehensive income for the period	—	—	8,136	8,136
As at 30 September 2009	<u>97,421</u>	<u>21,449</u>	<u>94,920</u>	<u>213,790</u>
	Share premium and capital reserves RMB'000 Unaudited	Statutory surplus reserve RMB'000 Unaudited	Retained profits RMB'000 Unaudited	Attributable to owners of the Company RMB'000 Unaudited
As at 1 January 2010	97,421	23,476	94,386	215,283
Profit and total comprehensive income for the period	—	—	10,066	10,066
As at 30 September 2010	<u>97,421</u>	<u>23,476</u>	<u>104,452</u>	<u>225,349</u>



MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended 30 September 2010 (the “Period under Review”), the Group achieved a turnover of approximately RMB287,897,000 (2009: RMB254,069,000), representing an increase of approximately 13.3% over the same period last year. Profit attributable to the owners of the Company was approximately RMB10,066,000 (2009: RMB8,136,000), representing an increase of approximately 23.72% over the same period last year. The increase was attributable to the restoration of confidence in industry growth, the increased publicity expenses of advertising customers, and the active exploration of market of the Company.

During the Period under Review, revenue from media dissemination, terminal dissemination service and media production businesses represented approximately 55.69% (2009: 57.31%), 29.04% (2009: 25.45%) and 15.27% (2009: 17.24%) of the turnover respectively. Earnings per share increased by approximately 23.47% to RMB1.21 cent. The Board did not recommend the payment of an interim dividend for the nine months ended 30 September 2010 (2009: nil).

During the Period under Review, the Group’s turnover from outdoor advertising media dissemination operations amounted to approximately RMB160,332,000, representing an increase of approximately 10.12% over the same period last year. Currently, the Group has outdoor media resources of approximately 200,000 square metres with coverage in 64 major cities across China. During the period, the average launching rate of the Group’s outdoor media was maintained at approximately 70% with major customers coming from various sectors such as fast-moving consumer goods, machinery, real estate, finance and tourism.

The influence of “Enkon Express Media”, the Group’s core business, continued to increase, currently approximately 8,000 advertising boards targeting 9 million households with medium and high income in nearly 5,500 communities have been set up nationwide. The scope of coverage has been extended to include Beijing, Shanghai, Guangzhou, Nanjing, Shenzhen, Chengdu, Hangzhou and Shenyang, and contributed outdoor media dissemination resources of approximately 35,000 square metres to the Group. This business contributed a turnover of approximately RMB53,330,000 to the Group, representing an increase of approximately 26.4% over the same period of 2009. Profit attributable to owners of the Company was approximately RMB5,040,000, an increase of 83% from the same period of 2009. Its “Enkon Express Media” innovative multimedia platform incorporated high definition signboard, wireless electronic magazine, one-stop community bill payment service, video advertising, outdoor movements, community police services, community activities and online e-commerce functions into one source for setting up innovative dissemination platforms tailored to customers’ diversified business nature and provided professional “marketing + experience” services for introducing functions such as media dissemination, commonweal community information dissemination and self-service payment into daily life of the public.

During the Period under Review, “Enkon Express Media” focused on expansion into sectors including finance, travel, communication and fast moving consumer goods. It has entered into a cooperation agreement with a contract value of more than RMB10,000,000 with Jiangsu Satellite TV, ICBC, China Sciences Group and Longfong Food Products, and commenced intensive cooperation with numerous domestic and international famous brands such as China Mobile, Mazda, NVC Lighting, Suning Electric, Carrefour, the Tourism Board of the Thousand Island Lake (千島湖旅遊局), 新城市置業 and Shenyin Wanguo, further securing the market leading position. The Group believed these projects will bring significant gains to the Group.



During the Period under Review, “Outdoor Media” commenced cooperation with well-known enterprises such as 中策橡膠, 申鷺達 and Changan Auto (長安汽車). Cooperation agreements with contract value of more than RMB16,000,000 had been signed, laying a good foundation for the next quarter.

The Group continued to expand its terminal dissemination service business during the period and recorded a turnover of approximately RMB83,601,000, representing an increase of approximately 29.28% over the same period of 2009. “Terminal Dissemination” continued to serve customers such as Nike, Wang Laoji, Wal-mart, Sankeshu Paint, Huatai Securities, Inner Mongolia Agricultural Bank (內蒙農行) and Changan Auto (長安汽車). During the Period under Review, there was a breakthrough in the Nike project and the contracted value was approximately RMB5,280,000, while the contracted value of the projects with Changan Auto (長安汽車) and Best Buy (百思買) was over RMB2,000,000.

In view of the opportunities brought by international events including the Shanghai World Expo and Guangzhou Asian Games in 2010, Universiade Shenzhen 2011 and Youth Olympic Games Nanjing 2014, all branches of the Group accelerated progress in government tender invitation and bidding projects and won a number of projects, including the Guangzhou Asian Games. In September 2010, we successfully won several projects consecutively, namely the “Asian Games Stadium Fixed Signboard Project of the Guangzhou Asian Games” and the “Stadium Image Landscaping Implementation Service Project for the Guangzhou Asian Games and the Guangzhou 2010 Asian Para Games”, with total bid value of approximately RMB20,000,000. This is another participation of the Group as image landscaping provider for significant national sports events after the 2008 Beijing Olympic Games, illustrating the solid resources of the Group.

Currently, the Group’s 360° Business Terminal Manager serves a number of renowned domestic and international brands including Nike, ICBC, Midea, Puma, B&Q, Wang Laoji and Wal-mart.

During the Period under Review, turnover of the Group’s media production business was approximately RMB43,964,000, accounting for approximately 15.27% of the Group’s total turnover and representing an increase of approximately 0.38% as compared with the corresponding period of 2009.

During the Period under Review, the Group and Nanjing University of Posts and Telecommunications jointly established the “Nanyou Dahe Goods Internet Smart Commerce Research Centre” (南郵大貨物聯網智慧商務研究中心). The Group hoped to strengthen the research on digital media technology through this cooperation to improve mutual business development, technology development and application level of digital media and further promote the utilization of goods internet technology in the media area.

As one of the top advertising enterprises in China, the Group has won further recognition from peers and professional institutions with its quality media mix and diversified professional services. During the Period under Review, the Group’s “Enkon Express Media” electronic commerce platform had won the award of “Famous Brand of Nanjing”.

During the Period under Review, the Group’s subsidiary Chongqing Dahe Digital Printing Co., Ltd. completed its liquidation. In addition, the Group had transferred its 90% shareholding in its subsidiary Hangzhou Outelong Advertising Co., Ltd. for business consolidation purpose.



OUTLOOK

In 2010, as the PRC economy resumes growing steadily, national income and purchasing power increase concurrently. All enterprises have increased their spending on advertising to attract more consumption. The “Revitalization Plan of Cultural Industry” approved in 2009 has created good external conditions for the advertising industry and enhanced the status of outdoor advertising media in the overall economy of the PRC through specific measures such as additional governmental investment and expanding cultural consumption. Under the dual forces of favourable national policy and stable growth of domestic demand, the Group believes that there are still enormous development potential in the advertising market of China. And the Group will also accelerate the pace of growth in outdoor advertising to catch up with the overall market development trend. In 2010 and the next few years, China will host several major international events, such as the Guangzhou Asian Games and Universiade Shenzhen 2011, and is expected to create ample business opportunities in the advertising market of China and sustained demand for outdoor advertising.

Meanwhile, the Chinese government has promulgated laws to regulate outdoor media and outdoor advertisements with satisfactory results. And the local governments have also adopted allocation, tender and auction process to regulate outdoor advertisements, the regulatory regime has gradually extended to all the cities nationwide. We believe, although it may have adverse impact on the Group’s operations in the short term, this is beneficial to the continuous and orderly development of outdoor advertisements in the long run. As a top class professional outdoor media operator, the Group will also take advantage of this opportunity to strengthen its position in outdoor media and strive to secure more resources for outdoor advertisements.

Three quarters had passed in 2010, despite the intensifying competition in the outdoor media industry during recent years, we are still optimistic about the medium to long term outlook of the outdoor media industry in the PRC. The Group will continue to expand its business actively and cater to market demand flexibly in order to increase its market share and maximize profits. Development will be focused on more tier two and tier three cities in China to uncover more long-term favourable opportunities for potential business and investment opportunities.

Apart from reinforcing its existing business network and rich customer resources and through developing new business platforms to enhance service quality and asset size, the Group will also actively strive for more major customers and consider taking countermeasures to mitigate the impact of the new outdoor advertising law on business income. The Group will allocate more resources and enhance its sales team to promote our “Enkon” businesses, conduct research and development on the application of goods internet technology in the media industry, and seek strategic partners actively to increase its market penetration rate, establishing a good foundation for further development in 2011. We are committed to becoming the strongest, most influential and internationally respected media Group in China.



FINANCIAL REVIEW

TURNOVER

During the Period under Review, the Group's turnover was approximately RMB287,897,000, representing an increase of approximately 13.3% as compared with the corresponding period of 2009.

GROSS PROFIT

During the Period under Review, gross profit was approximately 29.83%, representing a decrease of approximately 0.2% over 30.05% of the corresponding period of 2009.

DISTRIBUTION COSTS

During the Period under Review, distribution costs decreased by 9.9% as compared with the corresponding period of 2009.

ADMINISTRATION EXPENSES

During the Period under Review, administration expenses increased by 6.66% as compared with the corresponding period of 2009, mainly attributable to an increase in development expenses of new projects.

FINANCIAL EXPENSES

During the Period under Review, financial expenses were approximately RMB8,240,000, representing an increase of 30.44% as compared with the corresponding period of 2009.

DIVIDENDS

The Directors do not recommend distribution of an interim dividend for the nine months ended 30 September 2010 (2009: nil).

FUTURE MAJOR INVESTMENT PLANS AND EXPECTED SOURCE OF FUNDS

The Group will continue to integrate the existing operations, at the same time identify new business opportunities which may supplement or strengthen the existing operations. As at 30 September 2010, the Group has yet not set up any specific plans.



WORKING CAPITAL AND FINANCIAL RESOURCES

The Group has adopted a prudent financial management policy and maintained a strong financial status. As at 30 September 2010, net current asset was approximately RMB85,028,000 (As at 31 December 2009: approximately RMB57,112,000).

As at 30 September 2010, bank balances and cash held by the Group amounted to approximately RMB111,660,000 (As at 31 December 2009: approximately RMB140,090,000).

As at 30 September 2010, the Group has total bank borrowings of approximately RMB162,000,000 and total assets of approximately RMB640,960,000. Gearing ratio was approximately 25% (As at 31 December 2009: Gearing ratio was approximately 33%).

RISK OF FOREIGN EXCHANGE

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

IMPORTANT INVESTMENT

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

IMPORTANT ACQUISITION AND DISPOSAL

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

STAFF

As at 30 September 2010, the Group has about 1,000 full-time staff. During the Period under Review, cost of staff was approximately RMB32,540,000 (Corresponding period in 2009: approximately RMB29,620,000).



CONTINGENT LIABILITIES

As at 30 September 2010, 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 2010.

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 September 2010, the interests and short positions of the Directors and the Supervisors (as if the requirements applicable to Directors under the Securities and Futures Ordinance (“SFO”) were also applicable to the Supervisors) in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules were as follows:

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

Notes:

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

Save as disclosed above, as at 30 September 2010, none of the Directors and the Supervisors has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.



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

A. SUBSTANTIAL SHAREHOLDERS

As at 30 September 2010, the following persons/entities had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO and were directly or indirectly interested in 10% or more of the shares of the Company:

Name of shareholder	Capacity	Number and class of securities (note 1)	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the share capital of the Group (note 4)
Dahe International	Beneficial owner	409,000,000 domestic shares of RMB0.10 each (L)	70.52%	49.28%
He Chaobing	Interest of a controlled corporation (note 2)	409,000,000 domestic shares of RMB0.10 each (L)	70.52%	49.28%
Yan Fen	Interest of spouse (note 3)	409,000,000 domestic shares of RMB0.10 each (L)	70.52%	49.28%

Notes:

1. The letter "L" denotes the person's/entity's long positions in the domestic shares of the Company.
2. The interest in the domestic shares were held through Dahe International which was 90% owned by Mr. He Chaobing and 10% owned by Mr. He Pengjun, who is the son of Mr. He Chaobing.
3. Ms. Yan Fen is the wife of Mr. He Chaobing and is deemed to be interested in the shares in which Mr. He Chaobing is interested under the provision of Divisions 2 and 3 of Part XV of the SFO.
4. Domestic shares and H Shares of the Company are treated as the same class of shares for such purpose.



B. OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As at 30 September 2010, save for the persons/entities disclosed in sub-section A above, the following entities/persons had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Number and class of securities (note 1)	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the entire issued share capital of the Company (note 3)
Yan Jian	Beneficial owner	71,800,000 domestic shares of RMB0.10 each (L)	12.37%	8.66%
Nanjing State-owned Assets Management Holdings (Group) Company Limited (南京市國有資產投資管理控股(集團)有限責任公司)	Beneficial owner (note 2)	50,000,000 domestic shares of RMB0.10 each (L)	8.62%	6.02%
南京市浦口區農威油墨廠	Beneficial owner	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%

Notes:

1. The letter "L" denotes the person's/entity's long positions in the domestic shares of the Company.
2. The interests in the domestic shares will be held through Nanjing Hi-Tech Venture Capital Co., Ltd., the registered capital of which is 60% owned by Nanjing State-owned Assets Investment Management Holdings (Group) Company Limited (南京市國有資產投資管理控股(集團)有限責任公司).
3. Domestic shares and H Shares of the Company are treated as the same class of shares for such purpose.

Save as disclosed above, no other person/entity had an interest or a short position in the shares and underlying shares of the Company as recorded on 30 September 2010 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 2010 pursuant to Rule 6A.32 of the GEM Listing Rules.

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

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
11 November 2010

As at the date of this announcement, 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.

The announcement will remain on the "Latest Company Announcements" page of the GEM website for at least seven days from its publication and on the website of the Company at <http://www.dahe-ad.com>.