



# 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 )



# 2011

## 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 Stock 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 trade on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## HIGHLIGHTS

- For the nine months ended 30 September 2011, the Group achieved a turnover of approximately RMB277,770,000, representing a decrease of approximately 3.5% over the same period of 2010.
- Gross turnover for the nine months ended 30 September 2011 of the Group was mainly attributed from media dissemination, terminal dissemination service and media production businesses, representing approximately 54.84% (2010: 55.69%), 30.05% (2010: 29.04%) and 15.11% (2010: 15.27%) respectively of the gross turnover.
- For the nine months ended 30 September 2011, profit attributable to the equity holders of the Group was approximately RMB10,519,000 representing an increase of approximately 4.5% over the same period of 2010.
- Earnings per share were approximately RMB1.27 cent (2010: RMB1.21 cent).
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2011 (2010: 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 2011, together with the comparative figures for the corresponding periods in 2010 as follows:

	Notes	Unaudited For the nine months ended 30 September		Unaudited For the three months ended 30 September	
		2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Turnover	3	277,770	287,897	100,775	109,861
Cost of sales		(182,755)	(202,024)	(70,842)	(79,297)
Gross profit		95,015	85,873	29,933	30,564
Other revenue and net gain		664	(363)	702	(755)
Distribution costs		(30,080)	(27,979)	(9,924)	(9,636)
Administrative expenses		(37,285)	(31,760)	(12,103)	(10,720)
Finance costs		(9,739)	(8,240)	(3,469)	(3,063)
Profit before income tax	5	18,575	17,531	5,139	6,390
Income tax	6	(4,486)	(2,590)	(1,615)	(963)
Profit and total comprehensive income for the period		<u>14,089</u>	<u>14,941</u>	<u>3,524</u>	<u>5,427</u>
Attributable to:					
Owners of the Company		10,519	10,066	2,686	2,730
Non-controlling interests		3,570	4,875	838	2,697
		<u>14,089</u>	<u>14,941</u>	<u>3,524</u>	<u>5,427</u>
Earnings per share					
- Basic and diluted (RMB)	7	<u>1.27 cent</u>	<u>1.21 cent</u>	<u>0.32 cent</u>	<u>0.33 cent</u>



## 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 2011 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 2010.

### 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 For the nine months ended 30 September		Unaudited For the three months ended 30 September	
	2011 RMB’000	2010 RMB’000	2011 RMB’000	2010 RMB’000
Income from the business of media dissemination	152,332	160,332	51,664	55,216
Income from the business of terminal dissemination service	83,457	83,601	35,337	40,011
Income from the business of media production business	41,981	43,964	13,774	14,634
	<u>277,770</u>	<u>287,897</u>	<u>100,775</u>	<u>109,861</u>

## 4. SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal reporting, in accordance with the Group's internal organisation and reporting structure, provided to the chief operating decision-maker to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different products and requires different business strategies.

The following summary describes the operations in each of the Group's reportable segments:

- Media dissemination
- Media Production
- Terminal dissemination

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

The Group's senior executive management monitors assets and liabilities on a consolidated basis and not by reportable segment. Accordingly, no additional information on assets and liabilities is presented.

### Segment revenue and results

For the nine months ended September 2011 (unaudited)

	<b>Media Dissemination RMB'000</b>	<b>Media Production RMB'000</b>	<b>Terminal Dissemination RMB'000</b>	<b>Total RMB'000</b>
Revenue from external customers	152,332	41,981	83,457	277,770
Reportable Segment results	62,963	2,782	29,270	95,015
Other income and net loss				664
Distribution costs				(30,080)
Administrative expenses				(37,285)
Finance costs				(9,739)
Profit before income tax				18,575

For the nine months ended September 2010 (unaudited)

	<b>Media Dissemination RMB'000</b>	<b>Media Production RMB'000</b>	<b>Terminal Dissemination RMB'000</b>	<b>Total RMB'000</b>
Revenue from external customers	160,332	43,964	83,601	287,897
Reportable Segment results	54,731	2,905	28,237	85,873
Other income and net loss				(363)
Distribution costs				(27,979)
Administrative expenses				(31,760)
Finance costs				(8,240)
Profit before income tax				17,531



## 5. PROFIT BEFORE INCOME TAX

	Unaudited		Unaudited	
	For the nine months ended 30 September		For the three months ended 30 September	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax is arrived after charging the following:				
Depreciation	18,315	20,212	5,851	6,303
Amortisation of prepaid land lease payment	43	43	15	15
Amortisation of other intangible assets	413	310	300	197
	<u>413</u>	<u>310</u>	<u>300</u>	<u>197</u>

## 6. INCOME TAX

	Unaudited		Unaudited	
	For the nine months ended 30 September		For the three months ended 30 September	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Provision for PRC income tax	4,486	2,590	1,615	963
	<u>4,486</u>	<u>2,590</u>	<u>1,615</u>	<u>963</u>

## 7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the nine months ended 30 September 2011 is based on the unaudited profit attributable to owners of the Company of approximately RMB10,519,000 (2010: RMB10,066,000) and the weighted average number of shares in issue of 830,000,000 (2010: 830,000,000) during the period.

The Company has no dilutive potential shares in issue during the period (2010: Nil).

## 8. RESERVES

	Share capital RMB'000 Unaudited	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	83,000	97,421	23,476	94,386	298,283
Profit and total comprehensive income for the period	—	—	—	10,066	10,066
As at 30 September 2010	<u>83,000</u>	<u>97,421</u>	<u>23,476</u>	<u>104,452</u>	<u>308,349</u>
	Share capital RMB'000 Unaudited	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 2011	83,000	97,421	25,218	108,472	314,111
Profit and total comprehensive income for the period	—	—	—	10,519	10,519
As at 30 September 2011	<u>83,000</u>	<u>97,421</u>	<u>25,218</u>	<u>118,991</u>	<u>324,630</u>





## MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended 30 September 2011 (the “Period under Review”), the Group achieved a turnover of approximately RMB277,770,000 (2010: RMB287,897,000), representing a decrease of approximately 3.5% over the same period last year. During the period, profit attributable to the shareholders was approximately RMB10,519,000 (2010:RMB10,066,000), representing an increase of approximately 4.5% over the same period last year. Earnings per share increased by approximately 5.0% to RMB1.27 cent (2010: 1.21cent).

The revenue from outdoor advertising media dissemination business, terminal dissemination service and outdoor advertising media production business accounted for approximately 54.84% (2010: 55.69%), 30.05% (2010: 29.04%) and 15.11% (2010: 15.27%) of the turnover respectively. The Board does not recommend the payment of the interim dividend for the nine months ended 30 September 2011 (2010: nil).

During the Period under Review, the Group’s turnover from outdoor advertising media dissemination business amounted to approximately RMB152,332,000, representing a decrease of approximately 5% 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 has been maintained at approximately 70% with major customers coming from various sectors such as fast-moving consumer goods, media, real estate, finance and tourism.

During the period, “Enkon Express Media”, the Group’s core business, continued to win the favour of customers and contributed approximately RMB63,246,000 and RMB4,630,000 to the Group’s total turnover and profit respectively, representing an increase of 18% and a decrease of 8% respectively compared with the corresponding period last year. Currently, the Group has set up approximately 8,000 advertising boards targeting 9 million medium and high income households in nearly 5,500 communities, and has set up precise community distribution network in the cities such as Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing, Hangzhou, Chengdu and Shenyang, with total outdoor media dissemination resources of approximately 35,000 square metres. According to an independent market research undertaken by CTR, “Enkon Express Media” has become the first brand name of the noble community media in China.

During the Period under Review, “Enkon Express Media” focused on business promotion to customers in the sectors including finance, tourism, communication and fast-moving consumer goods. It has successfully entered into cooperation agreements with various famous brands such as Industrial and Commercial Bank of China, Suning Electric, Xiwang Foodsz (西王食品), Sanyuan Foods, Wuzhen Travel (烏鎮旅遊), GOME, Anhui Satellite TV and Jiangsu Satellite TV, with a contract value of more than RMB33,000,000, which further expanded its leading edge, consolidating its market leadership. The Group believes that the projects will also lay a good foundation for the business in the fourth quarter.



During the period under Review, “Outdoor Media” has commenced cooperation with well-known enterprises such as Meifu (美孚), Jiangsu Sujiu (江蘇蘇酒), Wuzhen Travel and 薩米特, with a contract value of approximately RMB25,000,000.

During the period, the Group continued to further its “terminal dissemination” business, recording a total turnover of approximately RMB83,457,000, representing a decrease of approximately 0.2% over the same period last year.

The Group has adhered to the policy driven by the use of technology and intelligence services over the past several years. Leveraging on the high-standard services, it successfully won the bids for a number of large-scale projects, including the Shenzhen Universiade. In August 2011, the Group succeeded three times consecutively in the tender invitation and bidding for the landscape projects of the 26<sup>th</sup> Summer Universiade, winning the bids for the landscape projects of the Nanshan Arena of Shenzhen Universiade, the Main Arena of the Summer Universiade and the city landscape project of Shenzhen Universiade, with the aggregate contract value of RMB14,030,000, becoming the only enterprise which won three bids in this particular event. This is another participation of the Group as image landscaping provider for significant national sports events after the Beijing Olympic Games and the Guangzhou Asian Games, fully reflecting the Group’s ability for to implement government projects.

Currently, “Terminal Dissemination” continues to serve customers such as Nike, CR Vanguard, B&Q, Li Ning and Changan Automobile (長安汽車). The contracted value of the projects with Nike and Wal-mart was almost RMB20,000,000.

During the Period under Review, turnover of the Group’s media production business was approximately RMB41,981,000, representing a decrease of approximately 4.5% as compared with the corresponding period last year and accounting for approximately 15.11% of the Group’s total turnover.

In addition, the Group also co-operates with Sina, the largest Internet portal in the China, to co-launch a website of “Sina Jiangsu”, which provides netizens in Jiangsu with a new media service platform with both localized needs and regional characteristics. “Sina Jiangsu” will fully integrate the advantageous resources, timely delivering local news, industry information, consumption information, etc. to Internet users. “Sina Jiangsu” will be marketed via micro-blogging, and will provide integrated marketing services with Web2.0 products and services to local business users, creating a brand new interactive platform. The co-operation represents the Group has extended from the traditional outdoor advertising to the Internet media area.

As one of the largest integrated advertising groups in China, the Group has won recognition from peers with its quality media integration and diversified professional services and has received a number of honours. During the Period under Review, the Group’s “Enkon Express Media” won the “Case Study Award” (經典案例大獎) in the “China Electronic Commerce Website Benchmark Award” (中國電商網標獎), which has confirmed the Group’s outstanding achievements in digital marketing and socialized media. Mr. He Chaobing, our Chairman, has also won the title of “2010 Leaders of Jiangsu Enterprises in Emerging Industries”(2010 蘇商新興產業領軍人物) in the “First Jiangsu Enterprises Institute Award” (首屆蘇商學院獎), which shows his important role in China’s advertising industry.



## OUTLOOK

In 2011, with the steady growing of China's economy, consumer sentiment increases along with increased national incomes. China's outdoor advertising industry has entered the optimization stage of integration and enhancement from the stage of rapid growth. The Group believes in the great potential of the outdoor advertising industry in China and is optimistic about the mid and long-term development of outdoor media business in China.

Following the outline of "12<sup>th</sup> Five-Year Plan" issued in March 2011, the support policy of the cultural industry by the PRC government was further implemented at the 6<sup>th</sup> Plenary Session of the 17<sup>th</sup> Central Committee, which passed "The CPC Central Committee's Decisions of Certain Major Issues on Deepening Reform of Cultural System to Promote Development and Prosperity of Socialist Culture" (中共中央關於深化文化體制改革推動社會主義文化大發展大繁榮若干重大問題的決定) in order to promote China's cultural industry as a pillar industry of domestic economy and realize a double increase in the added value of cultural industry within the next five years. With the coming of the new era of prosperity and development in cultural creativity globally, together with the support of the government's favorable policies, we are confident of the Group's development prospect.

Looking forward, the Group will speed up the layout in order to extend to more areas. In addition to consolidating its core businesses, including "Enkon Express Media", the Group will also actively develop new businesses such as "Sina Jiangsu". The Group believes that it will surely be a new trend in the development of China's advertising industry for the marketing of socialized media on a convenient and low-cost basis. International events such as the 2013 Tiajing East Asian Games and the 2014 Nanjing Youth Olympic Games are expected to create considerable opportunities for the PRC advertising market. The Group will seize the opportunities, allocate its resources reasonably and actively seek strategic partners, focus on expanding its businesses of digital media and socialized media in order to increase its market share. We will likely continue to enhance media distribution and terminal communication services, focus on develop new business platform, bringing the Group into a brand new digital era. The Group is committed to becoming a world-famous advertising group.

## FINANCIAL REVIEW

### TURNOVER

During the Period under Review, the Group's turnover was approximately RMB277,770,000, representing a decrease of approximately 3.5% as compared with the corresponding period of 2010.



## **GROSS PROFIT**

During the Period under Review, gross profit was approximately 34.2%, representing a increase of approximately 4.37% over 29.83% of the corresponding period of 2010.

## **DISTRIBUTION COSTS**

During the Period under Review, distribution costs increased by 7.51% as compared with the corresponding period of 2010, mainly attributable to an increase in staff cost.

## **ADMINISTRATION EXPENSES**

During the Period under Review, administration expenses increased by 17.4% as compared with the corresponding period of 2010, mainly attributable to an increase in development expenses and conference fee for new projects.

## **FINANCIAL EXPENSES**

During the Period under Review, financial expenses were approximately RMB9,739,000, representing an increase of 18.19% as compared with the corresponding period of 2010.

## **DIVIDENDS**

The Directors do not recommend distribution of an interim dividend for the nine months ended 30 September 2011 (2010: 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 2011, 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 2011, net current asset was approximately RMB110,169,000 (As at 31 December 2010: approximately RMB81,843,000).

As at 30 September 2011, bank balance and cash held by the Group amounted to approximately RMB136,034,000. The Group's Bank borrowings amounted to approximately RMB209,000,000. Net debt to equity ratio was approximately 20%, i.e. the percentage of bank loans less bank balance and cash in net assets, amounting to RMB358,630,000 (As at 31 December 2010, net debt to equity ratio was approximately 19%).



## **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 2011, the Group has about 1,050 full-time staff. During the Period under Review, cost of staff was approximately RMB36,630,000 (Corresponding period in 2010: approximately RMB32,540,000).

## **CONTINGENT LIABILITIES**

As at 30 September 2011, 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 2011.

## **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 2011, the interests and short positions of the Directors, chief executive 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)	418,000,000 domestic shares of RMB0.10 each (L)	72.07%
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 大賀投資控股集團有限公司 (Former “Jiangsu Dahe International Advertising Group Co., Ltd”) which was 99% and 1% owned by Mr. He Chaobing and Ms. Yan Fen, wife of Mr. He Chaobing, respectively.

Save as disclosed above, as at 30 September 2011, none of the Directors, chief executive 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 2011, 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)
大賀投資控股集團有限公司 (note 5)	Beneficial owner	418,000,000 domestic shares of RMB0.10 each (L)	72.07%	50.36%
He Chaobing	Interest of a controlled corporation (note 2)	418,000,000 domestic shares of RMB0.10 each (L)	72.07%	50.36%
Yan Fen	Interest of spouse (note 3)	418,000,000 domestic shares of RMB0.10 each (L)	72.07%	50.36%

#### Notes:

- The letter "L" denotes the person's/entity's long positions in the domestic shares of the Company.
- The interest in the domestic shares were held through 大賀投資控股集團有限公司 which was 99% and 1% owned by Mr. He Chaobing and Ms. Yan Fen, wife of Mr. He Chaobing, respectively.
- Ms. Yan Fen is the wife of Mr. He Chaobing and is deemed to be interested in the shares in which Mr. He Chaobing is interested under the provision of Divisions 2 and 3 of Part XV of the SFO.
- Domestic shares and H Shares of the Company are treated as the same class of shares for such purpose.
- Jiangsu Dahe International Advertising Group, Co., Ltd. changed its name to "大賀投資控股集團有限公司" in March 2011.

## 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 2011, 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 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)	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 2011 in the register required to be kept under section 336 of the SFO.





## **COMPETING INTEREST**

None of the Directors, the controlling 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 the date of termination of appointment 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. Its term of appointment has been terminated on 12 July 2011.



## 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 Ms 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 and Executive Director*

Nanjing, the PRC  
10 November 2011

*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.*

*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>.*

\* *For identification purpose only*