



# 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)



# 2012 Interim Report

\*For identification Purposes only

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

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*This report, for which the directors (the "Directors") of Dahe Media Co., Ltd. collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited 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, the information contained in this report is accurate and complete in all material respects, not misleading or fraudulent, and there are no other matters the omission of which would make this report or any statement therein misleading.*



## HIGHLIGHTS

- For the six months ended 30 June 2012, the Group realised a turnover of approximately RMB203.427 million, representing an increase of approximately 14.9% over the same period of 2011.
- Turnover of the Group was mainly from media dissemination, terminal dissemination service and media production businesses, representing approximately 63.94% (2011: 56.88%), 22.12% (2011: 27.18%) and 13.94% (2011: 15.94%) respectively of the gross turnover.
- For the six months ended 30 June 2012, profit attributable to the Group's equity holders was approximately RMB7.409 million, representing a decrease of approximately 5.4% over the same period of 2011. For the three months ended 30 June 2012, profit attributable to equity holders of the Group was approximately RMB6.302 million, representing a decrease of approximately 7.3% over the same period in 2011.
- Earnings per share were approximately RMB0.89 cent (2011: RMB0.94 cent).
- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: nil).

## CONDENSED CONSOLIDATED STATEMENT OF INCOME

The Board of Directors (the “Board”) of Dahe Media Co., Ltd. (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three months and six months ended 30 June 2012, together with the comparative figures for the corresponding periods in 2011 as follows:

	Notes	For the six months ended 30 June		For the three months ended 30 June	
		2012 RMB'000 Unaudited	2011 RMB'000 Unaudited	2012 RMB'000 Unaudited	2011 RMB'000 Unaudited
Turnover	3	203,427	176,995	113,071	99,615
Cost of sales		<u>(139,444)</u>	<u>(111,913)</u>	<u>(75,607)</u>	<u>(61,094)</u>
Gross profit		63,983	65,082	37,464	38,521
Other income and net gain		(430)	(38)	(1,285)	(69)
Distribution costs		(19,423)	(20,156)	(8,901)	(9,866)
Administrative expenses		(23,912)	(25,182)	(13,001)	(13,846)
Finance costs		<u>(8,033)</u>	<u>(6,270)</u>	<u>(4,318)</u>	<u>(3,096)</u>
Profit before income tax	5	12,185	13,436	9,959	11,644
Income tax expenses	6	<u>(2,011)</u>	<u>(2,871)</u>	<u>(1,404)</u>	<u>(2,407)</u>
Profit and total comprehensive income for the period		<u>10,174</u>	<u>10,565</u>	<u>8,555</u>	<u>9,237</u>
Attributable to:					
Owners of the Company		7,409	7,833	6,302	6,798
Non-controlling interests		<u>2,765</u>	<u>2,732</u>	<u>2,253</u>	<u>2,439</u>
		<u>10,174</u>	<u>10,565</u>	<u>8,555</u>	<u>9,237</u>
Earnings per share					
– Basic and diluted (RMB)	8	<u>0.89 cent</u>	<u>0.94 cent</u>	<u>0.76 cent</u>	<u>0.82 cent</u>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2012	As at 31 December 2011
	Note	RMB'000 Unaudited	RMB'000 Audited
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties		32,981	32,981
Property, plant and equipment		142,480	150,536
Construction in progress		—	—
Prepaid land lease payments		2,258	2,286
Goodwill		15,679	15,679
Other intangible assets		2,225	2,342
Interest in a jointly controlled entity		1,568	1,568
Deposit paid to a fellow subsidiary		50,579	50,198
Deferred tax assets		4,980	4,980
Available-for-sale financial assets		52	52
<b>Total non-current assets</b>		<b>252,802</b>	<b>260,622</b>
<b>Current assets</b>			
Inventories		5,196	7,178
Trade and note receivable	10	234,002	189,680
Other receivables, deposits and prepayments		64,828	45,964
Amount due from a former subsidiary		797	937
Deposit paid to holding company		30,000	30,000
Amounts due from a jointly controlled entity		128	128
Amounts due from a fellow subsidiary		450	3,000
Amounts due from related companies		4,794	4,744
Bank balances and cash		131,468	207,335
<b>Total current assets</b>		<b>471,663</b>	<b>488,966</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 30 June 2012	As at 31 December 2011
	Note	RMB'000 Unaudited	RMB'000 Audited
<b>Current liabilities</b>			
Trade payables	11	51,405	38,327
Other payables, deposits received and accruals		18,850	7,890
Deferred advertising income		28,352	23,165
Amount due to holding company		9,285	11,956
Amount due to related parties		—	—
Bank borrowings		237,000	292,000
Income tax payables		1,944	6,088
Other tax payables		1,724	4,431
<b>Total current liabilities</b>		<u>348,560</u>	<u>383,857</u>
<b>Net current assets</b>		<u>123,103</u>	<u>105,109</u>
<b>Net assets</b>		<u>375,905</u>	<u>365,731</u>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Share capital		83,000	83,000
Reserves		251,237	243,828
<b>Equity attributable to owners of the Company</b>		334,237	326,828
<b>Non-controlling interests</b>		<u>41,668</u>	<u>38,903</u>
<b>Total equity</b>		<u>375,905</u>	<u>365,731</u>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium and capital reserves RMB'000	Statutory surplus reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
As at 1 January 2011	83,000	97,421	25,218	—	108,472	314,111	30,430	344,541
Profit for the period	—	—	—	—	7,833	7,833	2,732	10,565
As at 30 June 2011	<u>83,000</u>	<u>97,421</u>	<u>25,218</u>	<u>—</u>	<u>116,305</u>	<u>321,944</u>	<u>33,162</u>	<u>355,106</u>
Profit for the period	—	—	—	—	5,728	5,728	4,755	10,483
Disposal of a subsidiary	—	—	—	363	—	363	(382)	(19)
Payment arising from partial disposal of equity interest in subsidiaries	—	—	—	(1,207)	—	(1,207)	1,768	561
Dividend paid to non-controlling shareholder of a subsidiary	—	—	—	—	—	—	(400)	(400)
As at 31 December 2011	83,000	97,421	25,218	(844)	122,033	326,828	38,903	365,731
Profit for the period	—	—	—	—	7,409	7,409	2,765	10,174
As at 30 June 2012	<u>83,000</u>	<u>97,421</u>	<u>25,218</u>	<u>(844)</u>	<u>129,442</u>	<u>334,237</u>	<u>41,668</u>	<u>375,905</u>



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>For the six months ended 30 June 2012 RMB'000 Unaudited</b>	For the six months ended 30 June 2011 RMB'000 Unaudited
Cash flows (used in)/generated from operating activities	(13,437)	(6,886)
Cash flows used in investing activities	1,534	(936)
Cash flows generated from/(used in) financing activities	<u>(63,964)</u>	<u>18,575</u>
Net increase/(decrease) in cash and cash equivalents	(75,867)	10,753
Cash and cash equivalents at the beginning of period	<u>207,335</u>	<u>119,534</u>
Cash and cash equivalents at the end of period	<u><b>131,468</b></u>	<u><b>130,287</b></u>
Bank balances and cash	<u><b>131,468</b></u>	<u><b>130,287</b></u>





# **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS:**

## **1. BASIS OF PREPARATION**

These unaudited condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and Chapter 18 of the GEM Listing Rules.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2011. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the audited annual financial statements of the Group for the year ended 31 December 2011.

## **2. PRINCIPAL ACCOUNTING POLICIES**

The consolidated condensed financial statements have been prepared under the historical cost convention, except for investment properties that are carried at fair value. Historical cost is generally based on their fair value of consideration given in exchange of goods.

In the current period, the Group has adopted all new and revised standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2011. 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 represents the invoiced value of goods sold and services provided to customers after any allowance and discounts and is analysed as follows:

	For the six months ended 30 June		For the three months ended 30 June	
	2012 RMB'000 Unaudited	2011 RMB'000 Unaudited	2012 RMB'000 Unaudited	2011 RMB'000 Unaudited
Income from media dissemination	130,073	100,668	73,711	60,621
Income from terminal dissemination	45,006	48,120	23,436	23,871
Income from media production	<u>28,348</u>	<u>28,207</u>	<u>15,924</u>	<u>15,123</u>
	<u>203,427</u>	<u>176,995</u>	<u>113,071</u>	<u>99,615</u>

### 4. SEGMENT INFORMATION

For the six months ended 30 June 2012 (unaudited)

	Media Dissemination RMB'000	Media Production RMB'000	Terminal Dissemination RMB'000	Total RMB'000
Revenue from external customers	<u>130,073</u>	<u>28,348</u>	<u>45,006</u>	<u>203,427</u>
Reportable segment results	50,657	(4,639)	17,965	63,983
Other income and net loss				(430)
Distribution costs				(19,423)
Administrative expenses				(23,912)
Finance costs				<u>(8,033)</u>
Profit before income tax				<u>12,185</u>



For the six months ended 30 June 2011 (unaudited)

	Media Dissemination RMB'000	Media Production RMB'000	Terminal Dissemination RMB'000	Total RMB'000
Revenue from external customers	<u>100,668</u>	<u>28,207</u>	<u>48,120</u>	<u>176,995</u>
Reportable segment results	42,888	1,739	20,455	65,082
Other income and net loss				(38)
Distribution costs				(20,156)
Administrative expenses				(25,182)
Finance costs				<u>(6,270)</u>
Profit before income tax				<u>13,436</u>

## 5. PROFIT BEFORE INCOME TAX

	For the six months ended 30 June		For the three months ended 30 June	
	2012 RMB' 000 Unaudited	2011 RMB' 000 Unaudited	2012 RMB' 000 Unaudited	2011 RMB' 000 Unaudited
Profit before income tax is arrived after charging the following:				
Depreciation	<b>11,029</b>	12,464	<b>5,492</b>	6,178
Amortisation of prepaid land lease payment	<b>28</b>	28	<b>14</b>	14
Amortisation of other intangible assets	<u><b>117</b></u>	<u>113</u>	<u><b>(19)</b></u>	<u>56</u>



## 6. INCOME TAX EXPENSE

The provision for PRC Enterprise Income Tax ("EIT") is based on the estimated taxable income for PRC taxation at the rate of taxation applicable for the year. In accordance with the new PRC Enterprise Income Tax Law which became effective from 1 January 2008, a unified enterprise income tax rate of 25% will be applied to both domestic invested enterprises and foreign-invested enterprises. Enterprises being qualified as a high new technology enterprise in the PRC are subject to an applicable national EIT rate of 15%. Accordingly, the Company is eligible for a preferential EIT rate of 15% for the six months ended 30 June 2012 (31 December 2011: 15%). The subsidiaries of the Company are subject to standard EIT rate of 25% for the six months ended 30 June 2012 (31 December 2011: 25%).

	For the six months ended 30 June		For the three months ended 30 June	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited
Taxation charges				
PRC income tax	<u>2,011</u>	<u>2,871</u>	<u>1,404</u>	<u>2,407</u>

## 7. DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: nil).

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2012 is based on the profit attributable to ordinary equity owners of the Company of RMB7,409,000 (For the six months ended 30 June 2011: RMB7,833,000) and the weighted average number of shares in issue of 830,000,000 (2011:830,000,000).



## 9. RESERVES

	Share capital RMB'000	Share premium and capital reserves RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total reserves RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
As at 1 January 2011	83,000	97,252	21,087	93,907	212,246
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,718</u>	<u>5,718</u>
As at 30 June 2011	<u>83,000</u>	<u>97,252</u>	<u>21,087</u>	<u>99,625</u>	<u>217,964</u>
As at 1 January 2012	83,000	97,252	21,087	99,317	217,656
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,042</u>	<u>5,042</u>
As at 30 June 2012	<u>83,000</u>	<u>97,252</u>	<u>21,087</u>	<u>104,359</u>	<u>222,698</u>

## 10. TRADE AND NOTE RECEIVABLES

	As at 30 June 2012 RMB'000 Unaudited	As at 31 December 2011 RMB'000 Audited
0-90 days	87,641	89,595
91-180 days	29,660	28,876
181-365 days	68,856	24,518
Over 365 days	<u>47,845</u>	<u>46,691</u>
	<u>234,002</u>	<u>189,680</u>



## 11. TRADE PAYABLES

	As at 30 June 2012 RMB'000 Unaudited	As at 31 December 2011 RMB'000 Audited
0-90 days	22,616	23,141
91-180 days	6,915	4,385
181-365 days	12,494	2,411
Over 365 days	9,380	8,390
	<u>51,405</u>	<u>38,327</u>



## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2012 (the “Period under Review”), the Group achieved a turnover of approximately RMB203.427 million (2011: RMB176,995,000), representing an increase of approximately 14.9% over the same period last year. Profit attributable to the shareholders was approximately RMB7.409 million (2011: RMB7,833,000), representing a decrease of approximately 5.4% over the same period last year. Earnings per share decreased by 5% to RMB0.89 cent. The Board did not recommend any payment of interim dividend for the six months ended 30 June 2012 (2011: nil).

Although the slowdown of the Chinese economy during the year resulted in the decrease in customers’ advertising budget, the Group strived to expand its customer base while maintaining its existing customers. It also developed new businesses through social media marketing and the Internet. In the first half of this year, emerging media in China developed rapidly. The future of the emerging media was promising due to higher acceptance by the public, which in turn boosted the increase of the Group’s turnover during the period.

During the Period under Review, revenue from media dissemination, terminal dissemination service and media production businesses represented approximately 63.94% (2011: 56.88%), 22.12% (2011: 27.18%) and 13.94% (2011: 15.94%) respectively of the turnover.

### Media dissemination businesses

During the Period under Review, the Group’s turnover from media dissemination business of outdoor advertisement amounted to approximately RMB130.073 million, representing an increase of approximately 29.2% over the same period last year. Currently, the Group has outdoor media resources of approximately 200,000 square metres in total, including billboards in expressways, billboards on building roofs in urban areas and landscape boards along roads. Its business coverage extended to 64 major cities across China. During the period, the average launching rate of the Group’s outdoor media has maintained at approximately 70% with major customers coming from various sectors such as fast-moving consumer goods, media, real estate, finance and tourism.



“Enkon Express Media”, the community media initiated by the Group, continued to be well received and supported by customers. During the period, it contributed to the Group a turnover and profit of approximately RMB39.98 million and RMB2.92 million respectively, representing an increase of 4.3% in income and a decrease of 3.6% in profit respectively over the same period last year due to higher cost. Currently, approximately 8,000 advertising boards targeting 9 million households with medium and high income in nearly 5,500 communities have been set up. The scope of coverage has been extended to cities including Beijing, Shanghai, Guangzhou, Nanjing, Shenzhen, Chengdu, Hangzhou and Shenyang, and contributed approximately 35,000 square metres of outdoor media dissemination resources to the Group.

Meanwhile, “Enkon Express Media” continued to focus on expansion into sectors including finance, tourism, communication and fast-moving consumer goods. It has entered into cooperation agreements with Industrial and Commercial Bank of China, Suning Electric, Xiwang Food(西王食品), Sanyuan Foods, Wuzhen Travel(烏鎮旅遊), GOME, Anhui Satellite TV, Jiangsu Satellite TV and Shandong Satellite TV. It has also formed partnership with various leading domestic and international brands such as China Mobile, Carrefour, Walmart, China Telecom, New City Real Estate(新城市置業), Shenyin & Wanguo, China Minsheng Bank, China UnionPay, JDB China and Inner Mongolia Mengniu Dairy.

In addition, the upgraded version of “Enkon Express Media 3.0” combines brand promotion and community sales, including high-definition lamphouse, wireless e-magazines, one-stop community payment service, video-ads, dynamic outdoor and community activities and social media marketing. An innovative dissemination platform was established to cater to diversified customer business and provide professional “advertising + marketing” services to incorporate functions such as media dissemination, commonweal community information dissemination and self-service payment in daily life. At the “China Electronic Commerce Brand Conference and the First Website Benchmark Award” (中國電商品牌大會暨首屆網標獎), the case of “Wang Laoji Community Media Marketing” won the “Case Study Award(經典案例大獎)”.

During the period, “Outdoor Media” has commenced cooperation with well-known enterprises such as Eastern Metropolis Newspaper(東方都市報業), Xuzhou Coal Mining Group, Jiangshu Guangsha Real Estate Development(江蘇廣廈房地產開發), Jiangsu Sujiu(江蘇蘇酒), Wuzhen Travel(烏鎮旅遊)and Summit with a contract value of over RMB12,000,000.





### **Terminal dissemination service and media production business**

The Group continued to further its terminal dissemination service business during the period. As of 30 June 2012, turnover of the terminal dissemination service business amounted to approximately RMB45.006 million, representing a decrease of approximately 6.5% over the same period last year.

“Terminal Dissemination” continued to serve well-known brands such as Nike, Wang Laoji, Walmart, CR Vanguard and Li Ning. In particular, the contracted value of projects such as the JDB project, the Walmart project, the KFC project and the Beijing Shijijiaming Business Co., Limited (北京世紀佳銘商務有限公司) project amounted to nearly RMB10.00 million. Currently, the Group’s 360° Business Terminal Manager serves a number of renowned domestic and international brands, including Nike, Midea, Master Kong, Puma, B&Q, JDB and Walmart.

During the Period under Review, turnover of the Group’s media production business was approximately RMB28.348 million, representing an increase of approximately 0.5% as compared with the corresponding period of last year and accounting for approximately 13.94% of the Group’s total turnover.

### **New businesses**

During the period, the website of “Sina Jiangsu” jointly established by the Group and Sina was officially launched. It provided localised news, leisure, entertainment and life-style information to users in Jiangsu with the best services and products of web 2.0. The establishment of Sina Jiangsu marked the Group’s commencement of Internet operation and enhanced its capacity in Internet dissemination. The Group’s marketing and dissemination industrial chain was optimised through the integration of its businesses such as brand planning, media release, production engineering, public relations, the Internet and new media. These new businesses are expected to lay a solid foundation for the Group’s future development.



## Awards and honors

During the year, the Group won a number of honors and awards and received recognition from peers for its contributions to the industry.

### Dahe Group

#### January 2012

The Group was elected as the vice president of Nanjing Modern Services Industry Federation (南京現代服務業聯合會副會長) and the “Outstanding Service Team” after undertaking the project of “Shenzhen Universiade”. At the “China Electronic Commerce Brand Conference and the First Website Benchmark Award(中國電商品牌大會暨首屆網標獎)”, the case of “2011 Wang Laoji Community Media Marketing” of “Enkon Express Media 3.0” won the “Case Study Award(經典案例大獎)”.

#### February in the same year

China Advertising Association recognised Dahe Group as “Class One Advertising Enterprise in China(中國一級廣告企業)”, which is the highest award and honor in the local media and advertising industry. In addition, Dahe was also elected as “Top 10 Advertising Operating Units(十強廣告經營單位)” and “Top 10 Best Advertising Operating Units(十佳廣告經營單位)” for 2011 in Nanjing. At the “Fifth Session of International Advertising Summit in 21st Century(第五屆21世紀廣告國際峰會)”, Dahe Media won “The Most Competitive Advertising Company in China in 2011(2011 年度中國廣告行業最具競爭力公司)”.

#### March in the same year

Dahe was conferred the title of “Executive Vice-president Unit of Nanjing Federation of Industry and Commerce Cultural Industry Chamber of Commerce(南京市工商聯文化產業商會常務副會長單位)” to recognise its contribution to driving the development of cultural and creative enterprises in Nanjing. The Group won the “2011 China Advertising Effectiveness Case Award(2011 中國廣告實效案例大獎)” at the “2012 China Advertising and Brand Conference and China Advertising Annual Awarding Ceremony (2012 中國廣告與品牌大會暨中國廣告年度大獎)” for the “Guiyi Strawberry Full Media Marketing Case(圭易草莓全媒體營銷案例)” implemented last year.



### **April in the same year**

Dahe Group successfully undertook the integrated marketing project of “2013 the Eighth China Flower Expo” to take charge of matters such as market development planning and operation management of the flower expo. Initiated in 1987, China Flower Expo (“Flower Expo”) is held every four years and is the largest and most influential flower gala in China.

### **June in the same year**

The website of “Sina Jiangsu” jointly established by Dahe Group and Sina was duly launched with a ceremony which was entitled “Celebration for Microblog @ Sina Jiangsu(微韻江蘇,博@你我)” and held at Nanjing Jinling Conference Center.

### **Chairman**

During the period, Mr. He Chaobing, our Chairman, led the Group to reach a new height again and his leadership was well-recognised by the industry. At the “Sixth Brand Forum for Employers in Jiangsu, China(第六屆中國江蘇僱主品牌論壇)”, which was organised by the International Public Management Association for Human Resources(國際人力資源管理協會) and the Human Resources Association of Jiangsu Province(江蘇省人力資源學會) and undertaken by 中企聯合(南京)人力資源中心, Mr. He was elected as the “Outstanding CEO of the year and Entrepreneur Showing the Greatest Care for Employees(年度傑出CEO暨最關心員工企業家)”. Meanwhile, Mr. He was recognised as “Outstanding Builder of Socialism with Chinese Characteristics in Nanjing (南京市優秀中國特色社會主義事業建設者)” by the municipal party committee and the municipal government for promoting the development of the creative industry in Nanjing and making significant contribution to economic development.



## OUTLOOK

In the second half of the year, the PRC economy is expected to maintain its growth. Both national income and purchasing power are also expected to increase. Enterprises will increase their spending on advertising, which will boost the domestic demands and the development of domestic advertising business. The Group believes in the great potential of the advertising industry in China and is confident in the mid-to-long term development of outdoor media business in China.

The cultural industry was included in the proposed “12th Five Year Plan” and became a pillar industry of domestic economy. It is the target of the cultural industry to improve its overall strength and competitiveness and realise a double increase within five years. In April this year, the State Administration for Industry and Commerce issued the “Opinions on the Implementation of Advertising Strategies(關於推進廣告戰略實施的意見)”, which introduced favourable policies to support the development of the advertising industry. The initiatives of these policies which have been implemented recently include enhancing Internet penetration and promoting online shopping. These initiatives will encourage cultural and technological innovation for cultivating and developing emerging cultural businesses. In addition, they will also boost domestic demands, business opportunities and economic development. Leveraging such favourable government policies, the cultural industry has grown gradually and the emerging media industry has flourished. As a result, we are optimistic about the prospect of the Group’s future development.

Looking forward, China will hold various international events such as the 2014 Nanjing Youth Olympic Games. The Group will grasp the new opportunities in the future to seek more room for development. It will also capitalise on favorable policies of government for the development of the advertising industry. The Group will take the opportunity to expand its business to other second and third tier cities to enlarge its penetration in the domestic market by reasonably allocating its resources and actively seeking strategic partners. In addition to increasing the market shares of its leading brand, “Enkon Express Media”, and expanding new business platforms, the Group will also consider the integration of outdoor media services with new technology to increase media values and customer values. It is the policy of the Group to become an intelligent marketing media group which focuses on innovative technology. The Group is committed to becoming one of the most influential media groups in China.



## **FINANCIAL REVIEW**

### **TURNOVER**

For the six months ended 30 June 2012 (the “Period under Review”), the Group’s turnover was approximately RMB203.427 million, representing an increase of approximately 14.9% as compared with the corresponding period last year.

### **GROSS PROFIT**

During the Period under Review, gross profit was approximately 31.5%, representing a decrease of approximately 5.27 percentage points over 36.77% of the corresponding period last year.

### **DISTRIBUTION COSTS**

During the Period under Review, distribution costs decreased by 3.6% as compared with the corresponding period last year.

### **ADMINISTRATION EXPENSES**

During the Period under Review, administration expenses decreased by 5% as compared with the corresponding period last year.

### **FINANCIAL COSTS**

During the Period under Review, financial costs were approximately RMB8.033 million, representing an increase of 28% as compared with the corresponding period last year.

### **DIVIDENDS**

The Board did not recommend distribution of an interim dividend for the six months ended 30 June 2012 (2011: nil).



## **FUTURE MAJOR INVESTMENT PLANS AND EXPECTED SOURCE OF FUNDS**

The Group will continue to integrate the existing operations, at the same time identify new business opportunities which may supplement or strengthen the existing operations. As at 30 June 2012, the Group has not set up any specific plans.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group has adopted a prudent financial management policy and maintained a strong financial position. As at 30 June 2012, net current assets were approximately RMB123.103 million (As at 31 December 2011: approximately RMB105.109 million).

As at 30 June 2012, bank balance and cash held by the Group amounted to approximately RMB131.468 million. The Group has bank borrowings of approximately RMB237.00 million. Net debt to equity ratio was approximately 28%, i.e. the percentage of bank loans less bank balance and cash in net assets amounting to RMB375.905 million (As at 31 December 2011: net debt to equity ratio was approximately 23%).

## **RISK OF FOREIGN EXCHANGE**

As the Group's income and expenditure are denominated in RMB, the Group has no exposure to any 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 of subsidiaries and associated companies.

## **STAFF**

As at 30 June 2012, the Group has 1,000 full-time staff. During the Period under Review, cost of staff was approximately RMB27.51 million (corresponding period in 2011: approximately RMB24.64 million).



## **CONTINGENT LIABILITIES**

As at 30 June 2012, the Group does not have any material contingent liabilities.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

The Group and the Company did not purchase, sell or redeem any of its listed securities during the Period under Review.

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

None of the Directors nor supervisors of the Company ("Supervisors") nor any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 30 June 2012.

## **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.



## A. Directors, chief executives and Supervisors

As at 30 June 2012, the interests and short positions of Directors and the Supervisors of the Company (as if the requirements applicable to Directors under the 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) which (a) were that required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the Supervisors is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

### (i) the Company

Name of Director/Supervisor (Note 1)	Capacity	Number and class of securities (Note 2)	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the issued share capital of the Company
Mr. He	Interest of a controlled corporation (Note 3)	418,000,000 Domestic Shares (L)	72.07%	50.36%
He Lianyi	Beneficial owner	6,400,000 Domestic Shares (L)	1.10%	0.77%
Wang Mingmei	Beneficial owner	3,800,000 Domestic Shares (L)	0.66%	0.46%

#### Notes:

1. All of the persons named above are Directors, except Ms. Wang Mingmei who is a Supervisor of the Company.
2. The letter "L" denotes a long position in the shares.
3. The interests in the domestic shares were held through the vendor which was 99% and 1% owned by Mr. He and Ms. Yan Fen, spouse of Mr. He, respectively.





(ii) **the associated corporations**

Name of Director/ Supervisor	Name of the associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage of shareholding in the issued share capital of the associated corporation
Mr. He	DIHG	Beneficial owner	418,000,000 Shares (L)	99%
He Pengjun	Nanjing Ultralon Investment Management Co., Ltd.* (南京歐特龍投資管理有限公司)	Beneficial owner	500,000 Shares (L)	10%

*Notes:*

1. The letter “L” denotes a long position in the shares.

Save as disclosed above, none of the Directors or chief executives of the Company is aware of any other Directors or chief executives of the Company who has any interests or short positions in any Shares and underlying shares in, and debentures of, the Company or any associated corporation as at 30 June 2012.

Save and except Mr. He, who is the director of DIHG, none of the Directors or proposed Directors has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## B. Substantial Shareholders

As at 30 June 2012, according to the records in the register which required to be kept under section 336 of the SFO, the following persons, other than Directors, chief executives or Supervisors of the Company, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Company/ name of the member of the Group	Capacity	Number and class of securities (Note 1)	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the issued share capital of the Company/ member of the Group
DIHG	Company	Beneficial owner	418,000,000 Domestic Shares (L)	72.07%	50.36%
Yan Fen	Company	Interest of spouse (Note 2)	418,000,000 Domestic Shares (L)	72.07%	50.36%
Nanjing Ultralon Investment Management Co., Ltd.* (南京歐特龍投資管理有限公司)	Hangzhou Ultralon Advertising Co., Ltd.* (杭州歐特龍廣告有限公司)	Beneficial owner	150,000 Shares (L)	10%	10%
Chengdu Xintianjie Advertising Co., Ltd.* (成都新天杰廣告有限公司)	Sichuan Xintianjie Media Technology Development Co., Ltd.* (四川新天杰傳媒科技發展有限公司)	Beneficial owner	9,000,000 Shares (L)	45%	45%



Name of Shareholder	Company/ name of the member of the Group	Capacity	Number and class of securities (Note 1)	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the issued share capital of the Company/ member of the Group
DIHG	Ankang International	Beneficial owner	490,000 Shares (L)	49%	49%
Gao Huajun	Nanjing Dahe Colour Printing Co., Ltd.* (南京大賀彩色印刷有限公司)	Beneficial owner	2,000,000 Shares (L)	10%	10%
Hebei Dalong Media Co., Ltd.* (河北大龍傳媒有限公司)	Hebei Dahe Media Co., Ltd.* (河北大賀傳媒有限公司)	Beneficial owner	3,036,000 Shares (L)	33%	33%

*Notes:*

1. The letter “L” denotes a long position in the Shares.
2. Ms. Yan Fen is the wife of Mr. He and is deemed to be interested in the shares in which Mr. He is interested under the provision of Divisions 2 and 3 of Part XV of the SFO.

Save as the disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which will have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as at 30 June 2012.

### C. Other persons who are required to disclose their interests pursuant to divisions 2 and 3 of part XV of the SFO

As at 30 June 2012, save for the persons/entities disclosed in sub-section B above, the following entities/persons had an interest or a short position in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO:

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 issued share capital of the Company
Yan Jian	Beneficial owner	71,800,000 Domestic Shares (L)	12.37%	8.66%
Nanjing State-owned Assets Investment Management Holdings (Group) Co. Ltd.* (南京市國有資產投資管理控股(集團)有限責任公司)	Beneficial owner	50,000,000 Domestic Shares (L)	8.62%	6.02%
Nanjing Pukou Ink Printing Factory* (南京市浦口區晨威油墨廠)	Beneficial owner	30,000,000 Domestic Shares (L)	5.17%	3.61%

*Notes:*

1. The letter "L" denotes the person's/entity's long position in the Shares.
2. The interests in the domestic shares will be held through Nanjing Hi-Tech Venture Capital Co., Ltd., the registered capital of which is 56.39% owned by Nanjing Zijin Investment Co., Ltd. (南京紫金投資集團有限責任公司).

Save as disclosed above, no other person/entity had an interest or a short position in the Shares and underlying Shares as recorded on 30 June 2012 in the register required to be kept under section 336 of the SFO.



## **COMPETING INTEREST**

None of the Directors, the management shareholders of the Company and their respective associates as defined under the GEM Listing Rules had any interest in a business which competes or may compete, either directly or indirectly, with the businesses of the Group nor any conflicts of interest which has or may have with the Group.

## **CORPORATE GOVERNANCE**

During the Period under Review, none of the Directors of the Company is aware of any information which reasonably indicates that there has been non-compliance with the code provisions as set out in the Code of Practices under Corporate Governance (from 1 January to 31 March 2012) and Corporate Governance Code (from 1 April to 30 June 2012) 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.



## 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, namely, Mr. Sun Yingcai, Mr. Ge Jianya and Ms. Ye Jianmei. The audit committee has reviewed this interim report in accordance with the GEM Listing Rules.

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

Nanjing, the PRC  
9 August 2012

*As at the date of this report, the Board comprises Mr. He Chaobing and Ms. Lu Yin, 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.*

*This report will remain on the “Latest Company Announcements” page of the GEM website and the Company’s website ([http:// www.dahe-ad.com](http://www.dahe-ad.com)) for at least seven days from the date of its posting.*

*\* For identification purpose only*