



# 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 )



# 2014

## First Quarterly Report

\*For identification Purposes only

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities 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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*This report, for which 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 Dahe Media Co., Ltd.. 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 and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



## HIGHLIGHTS

- For the three months ended 31 March 2014, the Group realised a turnover of approximately RMB83,131,000, representing a decrease of approximately 10% over the same period of 2013.
- Gross turnover of the Group for the three months ended 31 March 2014 was mainly from media dissemination, terminal dissemination, media production and art trading businesses, representing approximately 61.06% (three months ended 31 March 2013: 64.71%), 27.6% (three months ended 31 March 2013: 21.81%), 11.32% (three months ended 31 March 2013: 13.48%) and 0.02% (2013: nil) respectively of the gross turnover.
- For the three months ended 31 March 2014, profit attributable to the owners of the Company was approximately RMB1,140,000, representing an increase of approximately 7% over the same period of 2013.
- Earnings per share were approximately RMB0.14 cent (2013: RMB0.13 cent).
- The Board did not recommend the payment of an interim dividend for the three months ended 31 March 2014 (2013: nil).



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Board of Directors (the “Board”) of Dahe Media Co., Ltd. (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together the “Group”) for the three months ended 31 March 2014, together with the comparative figures for the corresponding period in 2013 as follows, which has been reviewed by the audit committee of the Company:

	Notes	For the three months ended 31 March	
		2014 RMB'000 Unaudited	2013 RMB'000 Unaudited
Turnover	2	83,131	92,272
Cost of sales		(55,877)	(62,393)
Gross profit		27,254	29,879
Other income and net gain		(317)	(68)
Distribution costs		(10,703)	(10,333)
Administrative expenses		(9,489)	(12,734)
Profit from operations		6,745	6,744
Finance costs		(4,625)	(4,662)
Profit before income tax		2,120	2,082
Income tax expenses	5	(370)	(441)
Profit and total comprehensive income for the period		1,750	1,641
Attributable to:			
Owners of the Company		1,141	1,060
Non-controlling interests		609	581
		1,750	1,641
Earnings per share			
– Basic (RMB)	7	0.14 cent	0.13 cent



## NOTES TO THE CONDENSED FINANCIAL INFORMATION

### 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 2013. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the audited annual financial statements of the Group for the year ended 31 December 2013.

### 2. 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 three months ended 31 March	
	2014	2013
	RMB'000	RMB'000
	Unaudited	Unaudited
Income from the media dissemination	50,756	59,706
Income from terminal dissemination	22,944	20,122
Income from media production	9,414	12,444
Art trading	17	—
	<u>83,131</u>	<u>92,272</u>



### 3. SEGMENT REVENUE AND RESULTS

For the three months ended 31 March 2014 (unaudited)

	Media Dissemination RMB'000	Media Production RMB'000	Terminal Dissemination RMB'000	Art trading RMB'000	Total RMB'000
Revenue from external customers	50,756	9,414	22,944	17	83,131
Reportable Segment results	21,833	500	4,912	9	27,254
Other income and net loss					(317)
Distribution costs					(10,703)
Administrative expenses					(9,489)
Finance costs					(46,254)
Profit before income tax					2,120

For the three months ended 31 March 2013 (unaudited)

	Media Dissemination RMB'000	Media Production RMB'000	Terminal Dissemination RMB'000	Art trading RMB'000	Total RMB'000
Revenue from external customers	59,706	12,444	20,122	—	92,272
Reportable Segment results	21,050	1,799	7,030	—	29,879
Other income and net loss					(68)
Distribution costs					(10,333)
Administrative expenses					(12,734)
Finance costs					(4,662)
Profit before income tax					2,082



#### 4. PROFIT BEFORE INCOME TAX

	For the three months ended 31 March	
	2014	2013
	RMB'000	RMB'000
	Unaudited	Unaudited
Profit before income tax		
is arrived after charging the following:		
Depreciation	6,497	6,479
Amortisation of prepaid land lease payment	14	14
Amortisation of other intangible assets	120	134

#### 5. 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, an unified enterprise income tax rate of 25% will be applied to both domestic-invested enterprises and foreign-invested enterprises. Pursuant to the relevant PRC laws and regulations, as the Company is a qualified high technology enterprise, the Company is subject to a preferential EIT rate of 15% for the three months ended 31 March 2014 (2013: 25%). The subsidiaries of the Company are subject to standard EIT rate of 25% for the three months ended 31 March 2012.

#### 6. DIVIDEND

The board of directors does not recommend the payment of an interim dividend for the three months ended 31 March 2014 (2013: nil).



## 7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months ended 31 March 2014 is based on the profit attributable to ordinary equity owners of the Company of RMB1,141,000 (For the three months ended 31 March 2013: profit of RMB1,060,000) and the weighted average number of shares in issue of 830,000,000 (2013: 830,000,000).

## 8. RESERVES

	Share capital	Share premium and capital reserves	Statutory surplus reserve	Other reserves	Retained profits	Total reserves
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
As at 1 January 2013	83,000	97,384	28,199	(844)	127,949	335,688
Total comprehensive income for the period	—	—	—	—	1,060	1,060
As at 31 March 2013	<u>83,000</u>	<u>97,384</u>	<u>28,199</u>	<u>(844)</u>	<u>129,009</u>	<u>336,748</u>
As at 1 January 2014	93,000	97,384	28,809	(844)	133,502	34,185
Total comprehensive income for the period	—	—	—	—	1,141	1,141
As at 31 March 2013	<u>83,000</u>	<u>97,384</u>	<u>28,809</u>	<u>(844)</u>	<u>134,643</u>	<u>342,992</u>





## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

For the three months ended 31 March 2014 (the “Period under Review”), the Group achieved a turnover of approximately RMB83,131,000 (2013: RMB92,272,000), representing a decrease of approximately 10% over the same period last year. During the period, profit attributable to the shareholders was approximately RMB1,140,000 (2013: RMB1,060,000), representing an increase of approximately 7% over the same period last year. Earnings per share was increased to RMB0.14 cents.

During the year, amidst the recovery of global economy, China’s economy also experienced steady growth. With the successive introduction of various government policies for supporting the development of cultural industries, the enterprises’ demand for placing advertisement has increased, which has made the prospect of the industry more brilliant and also resulted in the increase in the profit of the Group during the period.

The Group’s revenue from outdoor advertising media dissemination business, terminal dissemination service business, outdoor advertising media production business and art trading business accounted for approximately 61.06% (2013: 64.71%), 27.6% (2013: 21.81%), 11.32% (2013: 13.48%) and 0.02% (2013: nil) of the turnover respectively. The Board does not recommend the payment of a quarterly dividend for the three months ended 31 March 2014 (2013: nil).

### MEDIA DISSEMINATION BUSINESSES

During the period under review, the Group’s media dissemination business recorded a turnover of approximately RMB50,756,000, representing a decrease of approximately 15% over the same period last year and accounting for 61.06% of the Group’s total turnover. Currently, the Group has outdoor media resources of approximately 200,000 square metres, including billboards on expressways, billboards on building roofs in urban areas, landscape boards along roads and large LED screens. Its business coverage has extended to 64 major cities across China. During the period, the average launching rate of the Group’s outdoor media remained at approximately 70%, with major customers from various industries 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 advertising customers. During the period, it contributed to the Group a turnover and a profit of approximately RMB16,440,000 and approximately RMB610,000 respectively. Currently, approximately 8,000 advertising boards targeting 9 million households of medium and high income levels with a coverage of 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, Shenyang and Hefei, and contributed a total of 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 continued to cooperate with various leading domestic and international brands such as China Mobile, Carrefour, Wal-Mart, China Telecom, New City Real Estate (新城市置業), China Minsheng Bank, China UnionPay, JDB China, Inner Mongolia Mengniu Dairy, Shenzhen Media Group and Shandong Hengan Paper (山東恆安紙業) and Mountain Jiuhua Scenic Area (九華山風景區).

## **TERMINAL DISSEMINATION SERVICE BUSINESS, MEDIA PRODUCTION BUSINESS AND ART TRADING BUSINESS**

The Group continued to further its “terminal dissemination service” business during the period, and recorded a total turnover of approximately RMB22,944,000, representing an increase of approximately 14% over the same period last year and accounting for approximately 27.6% of the total turnover. “Terminal Dissemination” continued to serve well-known brands such as Nike, Li-Ning, CR Vanguard, LEE, Bridgestone, Foton Motor Daimler. In particular, the contract value of projects with Kubota, CR Vanguard, Nike, LEE and Foton Motor Daimler amounted to nearly RMB15,000,000.

During the period, the turnover of the Group’s media production business was approximately RMB9,414,000, representing a decrease of approximately 24% over the same period last year and accounting for approximately 11.32% of the Group’s total turnover.

During the period, the turnover of the Group’s art derivatives trading business was approximately RMB17,000, accounting for approximately 0.02% of the Group’s total turnover.

## **“SINA JIANGSU” WEBSITE**

The website of “Sina Jiangsu” jointly established by the Group and Sina provided localised news, leisure, entertainment and life-style information to users in Jiangsu with the best services and products of web2.0. 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.



## **ART OPERATION – DAHE ARTS GALLERY**

Dahe Arts Gallery is a new business developed by Dahe Media at the end of 2013. With a vision to discover genuine artists and brings artists with good potential or proven skills to the global market and world class art galleries through market consolidation of resources, Dahe Arts Gallery strives to become the global channel provider for trading of arts and the disseminators of greater China cultures. Since its establishment, Dahe Arts Gallery has developed into an integrated platform for global promotion, world channels, capital operations and commercialization for rapid expansion of the arts market effect. During the period, Dahe Arts Gallery made great efforts to promote its contracted painters through various promotional channels including global outdoor media, Internet media, public relations and news articles. Meanwhile, it collected a lot of premium artworks from the society to get well prepared for the upcoming grand spring auction to be held in the second quarter.

## **AWARDS AND HONOURS**

### **THE GROUP**

During the period, the Group received a number of honours and awards, including one of the “Top 10 Private Cultural Enterprises (民營文化企業十強)” awarded in the “2013 First Nanjing Cultural Industry Golden Chinese Parasol Award (金梧桐)” selection activities hosted by Nanjing Cultural & Creative Industry Association under the guidance of Nanjing Municipal Party Committee Propaganda Department and Nanjing Bureau of Culture, Broadcasting, Television, Press and Publication.

### **OUTLOOK**

Entering 2014, China’s economy maintains steady growth and it is expected that the government will further introduce policies to expand domestic demand. China is currently in the process of economic transformation and the government puts great efforts to support the development of cultural industries in order to lead the optimisation and upgrading of China’s economic structure. The National People’s Congress and Chinese People’s Political Consultative Conference convened in March 2014 have promoted the introduction of three important policies of supporting the development of cultural industries. These policies focus on promoting the integration of cultural industries with technologies, capital and real economy, which will further improve the added-value of cultural industries. Furthermore, it is forecasted in the “Annual Development Report of China’s Cultural Industry (2014)” issued by the Institute for Cultural Industries, Peking University, that the value-added output of China’s cultural industries may amount to RMB2,100 billion in 2013, accounting for approximately 3.77% of the gross national production, whose role in driving the development of social economy has further improved. The PRC media market is expected to further expand.



Driven by favorable policies and the steady growth of domestic demand, the Group is optimistic about the long-term development of the PRC outdoor and creative media. In the future, in addition to strengthening its flagship product “Enkon Express Media” and developing new business platforms, the Group will also study how to combine its outdoor media services with new technologies and capture the opportunities arising from the development of internet advertisement market to integrate outdoor media into other media resources such as traditional television media and emerging internet media in order to realise better value from media for its customers. Meanwhile, the Group will also discover true artists, marketize and consolidate the resources by integrating global promotion, world channel, capital operations and industrialized development as well as rapidly enlarging market effects of art, striving to become both a global distributor in terms of art trading and a messenger for transmission of Greater China culture.

In 2014, the Group will actively capture every opportunity for business growth, make full use of the State’s policy supports and leveraging its advantages of having creative technologies and plenty of experience in marketing, strive to establish a cross-industry integrated ecological chain marketing platform of integrating media, arts and internet. Meanwhile, the Group will maintain long-term cooperation with its customers in order to expand its business into more areas and lay a solid foundation for its long-term growth.

## **FINANCIAL REVIEW**

### **TURNOVER**

Turnover of the Group for the period under review was approximately RMB83,131,000, decreased by approximately 10% when compared with the corresponding period last year.

### **GROSS PROFIT**

During the period under review, gross profit margin was approximately 32.8%, increased by 32.4 percentage points when compared with 0.4% for the corresponding period last year.

### **DISTRIBUTION COSTS**

During the period under review, distribution costs increased by 4% when compared with the corresponding period last year.

### **ADMINISTRATION EXPENSES**

During the period under review, administrative expenses decreased by 25% when compared with the corresponding period last year.



## **FINANCIAL EXPENSES**

During the period under review, finance costs were approximately RMB4,625,000, decreased by 0.8% when compared with the corresponding period last year.

## **DIVIDENDS**

The Directors do not recommend distribution of an interim dividend for the three months ended 31 March 2014 (2013: 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 31 March 2014, the Group has not set up any specific plans.

## **WORKING CAPITAL AND FINANCIAL RESOURCES**

The Group has adopted a prudent financial management policy and maintained a strong financial status. As at 31 March 2014, net current asset was approximately RMB175,160,000 (As at 31 December 2013: approximately RMB159,700,000).

As at 31 March 2014, bank balance and cash held by the Group amounted to approximately RMB180,680,000. Bank borrowings amounted to approximately RMB310,690,000. Net debt to equity ratio was approximately 35%, i.e. the percentage of bank loans less bank balance and cash in net assets amounting to RMB370,210,000 (As at 31 December 2013: net debt to equity ratio was approximately 31%).

## **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 31 March 2014, the Group has about 600 full-time staff. During the period under review, cost of staff was approximately RMB12,840,000 (corresponding period in 2013: approximately RMB14,620,000).

## **CONTINGENT LIABILITIES**

As at 31 March 2014, the Group has no material contingent liabilities.

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

The Group 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 31 March 2014.

## **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 31 March 2014, 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
He Chaobing	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 letters "L" denote a long position in the share capital.
3. The interests in the domestic shares were held through Dahe Investment Holdings Group, Co., Ltd. ("Dahe Investment") which was 99% and 1% owned by Mr. He Chaobing 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
He Chaobing	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 letters “L” denote a long position in the share capital.

Save as disclosed above, none of the Directors or chief executive of the Company is aware of any other Director or chief executive 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 31 March 2014.

Save and except for Mr. He Chaobing, who is the director of DIHG, none of the Director or proposed Director is a director or employee of a company which 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 31 March 2014, so far as is known to the Directors or chief executive of the Company, the following persons, other than a Director, chief executive or supervisor 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 <i>(Note 1)</i>	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	the Company	Beneficial owner	418,000,000 Domestic Shares (L)	72.07%	50.36%
Yan Fen	the Company	Interest of spouse <i>(Note 2)</i>	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.* (成都新天然廣告有限責任公司)	Sichuan Xintianjie Media Technology Development Co., Ltd.* (四川新天杰傳媒科技發展有限責任公司)	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 <i>(Note 1)</i>	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%

*Notes:*

1. The letters "L" denote a long position in the Shares.
2. Ms. Yan Fen is the wife of Mr. He Chaobing 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 31 March 2014.



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

As at 31 March 2014, 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 Asset Investment 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	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. (南京市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 31 March 2014 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 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.

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

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

Nanjing, the PRC  
12 May 2014

*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.*

\* *For identification purpose only*