



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 Interim Report

*For Identification Purposes only

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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 2014, the Group realised a turnover of approximately RMB180,177,000, representing a decrease of approximately 7% over the same period of 2013.
- Turnover of the Group was mainly from media dissemination, terminal dissemination service, media production and art trading businesses, representing approximately 55.68% (2013: 63.34%), 30.62% (2013: 22.29%), 13.55% (2013: 14.37%) and 0.15% (2013: Nil) respectively of the gross turnover.
- For the six months ended 30 June 2014, profit attributable to the Group's equity holders was approximately RMB8,005,000, representing an increase of approximately 6% over the same period of 2013. For the three months ended 30 June 2014, profit attributable to equity holders of the Group was approximately RMB6,864,000, representing an increase of approximately 6% over the same period in 2013.
- Earnings per share were approximately RMB0.96 cent (2013: RMB0.91 cent).
- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: 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 2014, together with the comparative figures for the corresponding periods in 2013 as follows:

| | Notes | For the six months ended 30 June | | For the three months ended 30 June | |
|--|-------|-------------------------------------|------------------------------|---------------------------------------|------------------------------|
| | | 2014 RMB'000 Unaudited | 2013 RMB'000 Unaudited | 2014 RMB'000 Unaudited | 2013 RMB'000 Unaudited |
| Turnover | 3 | 180,177 | 193,576 | 97,046 | 101,304 |
| Cost of sales | | (116,764) | (123,587) | (60,887) | (61,194) |
| Gross profit | | 63,413 | 69,989 | 36,159 | 40,110 |
| Other income and net gain | | 135 | 1,230 | 452 | 1,298 |
| Distribution costs | | (20,506) | (19,360) | (9,803) | (9,027) |
| Administrative expenses | | (19,780) | (29,560) | (10,291) | (16,826) |
| Finance costs | | (9,829) | (9,640) | (5,204) | (4,978) |
| Profit before income tax | 5 | 13,433 | 12,659 | 11,313 | 10,577 |
| Income tax expenses | 6 | (2,356) | (2,324) | (1,986) | (1,883) |
| Profit and total comprehensive income for the period | | <u>11,077</u> | <u>10,335</u> | <u>9,327</u> | <u>8,694</u> |
| Attributable to: | | | | | |
| Owners of the Company | | 8,005 | 7,541 | 6,864 | 6,481 |
| Non-controlling interests | | 3,072 | 2,794 | 2,463 | 2,213 |
| | | <u>11,077</u> | <u>10,335</u> | <u>9,327</u> | <u>8,694</u> |
| Earnings per share | | | | | |
| – Basic and diluted (RMB) | 8 | <u>0.96 cent</u> | <u>0.91 cent</u> | <u>0.82 cent</u> | <u>0.78 cent</u> |



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | As at 30 June 2014 | As at 31 December 2013 |
|--|------|-----------------------|---------------------------|
| | Note | RMB'000 | RMB'000 |
| | | Unaudited | Audited |
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Investment properties | | 38,241 | 38,241 |
| Property, plant and equipment | | 134,474 | 145,619 |
| Prepaid land lease payments | | 2,144 | 2,173 |
| Goodwill | | 15,679 | 15,679 |
| Other intangible assets | | 1,759 | 1,875 |
| Interests in a joint venture | | 1,469 | 1,469 |
| Deposit paid to a fellow subsidiary | | — | — |
| Deferred tax assets | | 4,980 | 4,980 |
| Available-for-sale financial assets | | 52 | 52 |
| Total non-current assets | | 198,798 | 210,088 |
| Current assets | | | |
| Inventories | | 23,649 | 24,297 |
| Trade and note receivable | 10 | 272,721 | 236,582 |
| Other receivables, deposits and prepayments | | 82,865 | 72,480 |
| Deposits paid to a fellow subsidiary | | 17,224 | 32,898 |
| Amount due from a former subsidiary | | 892 | 892 |
| Amount due from holding company | | 9,096 | 8,548 |
| Amounts due from a joint venture | | — | — |
| Amounts due from a fellow subsidiary | | 6,790 | 6,458 |
| Amounts due from related companies | | 187 | 173 |
| Bank balances and cash and pledged bank deposit | | 199,685 | 198,559 |
| Total current assets | | 613,109 | 580,887 |
| Total assets | | 811,907 | 790,975 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

| | Note | As at 30 June 2014 RMB'000 Unaudited | As at 31 December 2013 RMB'000 Audited |
|---|------|---|---|
| Current liabilities | | | |
| Trade payables | 11 | 62,140 | 51,997 |
| Other payables, deposits received and accruals | | 6,284 | 17,117 |
| Deferred advertising income | | 35,004 | 18,571 |
| Amount due to related parties | | 438 | 153 |
| Amount due to a fellow subsidiary | | 3,388 | 3,865 |
| Bank borrowings | | 319,424 | 312,940 |
| Income tax payables | | 2,292 | 8,866 |
| Other tax payables | | 2,067 | 7,673 |
| Total current liabilities | | <u>431,037</u> | <u>421,182</u> |
| Net current assets | | <u>182,072</u> | <u>159,705</u> |
| Total assets less current liabilities | | <u>380,870</u> | <u>369,793</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 1,334 | 1,334 |
| Net assets | | <u>379,536</u> | <u>368,459</u> |
| CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | |
| Share capital | | 83,000 | 83,000 |
| Reserves | | 266,856 | 258,851 |
| Equity attributable to owners of the Company | | <u>349,856</u> | <u>341,851</u> |
| Non-controlling interests | | <u>29,680</u> | <u>26,608</u> |
| Total equity | | <u>379,536</u> | <u>368,459</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 2013 | 83,000 | 97,384 | 28,199 | (844) | 127,949 | 335,688 | 19,277 | 354,965 |
| Profit for the period | — | — | — | — | 7,541 | 7,541 | 2,794 | 10,335 |
| As at 30 June 2013 | <u>83,000</u> | <u>97,384</u> | <u>28,199</u> | <u>(844)</u> | <u>135,490</u> | <u>343,229</u> | <u>22,071</u> | <u>365,300</u> |
| Profit for the period | — | — | — | — | (1,378) | (1,378) | 4,687 | 3,309 |
| Contribution from non-controlling shareholder of a subsidiary | — | — | — | — | — | — | 660 | 660 |
| Transfer between reserves | — | — | 610 | — | (610) | — | — | — |
| Dividend paid to non-controlling shareholder of a subsidiary | — | — | — | — | — | — | (810) | (810) |
| As at 31 December 2013 | 83,000 | 97,384 | 28,809 | (844) | 133,502 | 341,851 | 26,608 | 368,459 |
| Profit for the period | — | — | — | — | 8,005 | 8,005 | 3,072 | 11,077 |
| As at 30 June 2014 | <u>83,000</u> | <u>97,384</u> | <u>28,809</u> | <u>(844)</u> | <u>141,507</u> | <u>349,856</u> | <u>29,680</u> | <u>379,536</u> |



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | For the six months ended 30 June 2014 RMB'000 Unaudited | For the six months ended 30 June 2013 RMB'000 Unaudited |
|--|--|--|
| Cash flows (used in)/generated from operating activities | 4,455 | (48,274) |
| Cash flows used in investing activities | 603 | (2,279) |
| Cash flows generated from/(used in) financing activities | <u>(3,932)</u> | <u>93,443</u> |
| Net increase/(decrease) in cash and cash equivalents | 1,126 | 42,890 |
| Cash and cash equivalents at the beginning of period | <u>198,559</u> | <u>124,145</u> |
| Cash and cash equivalents at the end of period | <u>199,685</u> | <u>167,035</u> |
| Bank balances and cash | <u>199,685</u> | <u>167,035</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 2013. 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 2013.

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 analyzed as follows:

| | For the six months ended 30 June | | For the three months ended 30 June | |
|---------------------------------------|-------------------------------------|------------------------------|---------------------------------------|------------------------------|
| | 2014 RMB'000 Unaudited | 2013 RMB'000 Unaudited | 2014 RMB'000 Unaudited | 2013 RMB'000 Unaudited |
| Income from media dissemination | 100,311 | 122,608 | 49,555 | 62,902 |
| Income from terminal dissemination | 55,172 | 43,140 | 32,228 | 23,018 |
| Income from media production | 24,416 | 27,828 | 15,002 | 15,384 |
| Art Trading | 278 | | 261 | |
| | <u>180,177</u> | <u>193,576</u> | <u>97,046</u> | <u>101,304</u> |

4. SEGMENT INFORMATION

For the six months ended 30 June 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 | <u>100,311</u> | <u>24,416</u> | <u>55,172</u> | <u>278</u> | <u>180,177</u> |
| Reportable segment results | 43,114 | 2,646 | 17,604 | 49 | 63,413 |
| Other income and net loss | | | | | 135 |
| Distribution costs | | | | | (20,506) |
| Administrative expenses | | | | | (19,780) |
| Finance costs | | | | | <u>(9,829)</u> |
| Profit before income tax | | | | | <u>13,433</u> |



For the six months ended 30 June 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 | <u>122,608</u> | <u>27,828</u> | <u>43,140</u> | — | <u>193,576</u> |
| Reportable segment results | 50,802 | 3,883 | 15,304 | — | 69,989 |
| Other income and net loss | | | | | 1,230 |
| Distribution costs | | | | | (19,360) |
| Administrative expenses | | | | | (29,560) |
| Finance costs | | | | | <u>(9,640)</u> |
| Profit before income tax | | | | | <u>12,659</u> |

5. PROFIT BEFORE INCOME TAX

| | For the six months ended 30 June | | For the three months ended 30 June | |
|---|-------------------------------------|------------------------------|---------------------------------------|------------------------------|
| | 2014 RMB'000 Unaudited | 2013 RMB'000 Unaudited | 2014 RMB'000 Unaudited | 2013 RMB'000 Unaudited |
| Profit before income tax is arrived after charging the following: | | | | |
| Depreciation | 12,918 | 12,938 | 6,439 | 6,459 |
| Amortisation of prepaid land lease payment | 28 | 28 | 14 | 14 |
| Amortisation of other intangible assets | <u>113</u> | <u>117</u> | <u>(7)</u> | <u>(17)</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. According to the relevant laws and regulations of the PRC, the Company is qualified as a high new technology enterprise. Therefore, the Company is eligible for a preferential enterprise income tax rate of 15% for the six months ended 30 June 2014 (31 December 2013: 15%). The subsidiaries of the Company are subject to standard EIT rate of 25% for the six months ended 30 June 2014 (31 December 2013: 25%).

| | For the six months ended 30 June | | For the three months ended 30 June | |
|------------------|-------------------------------------|--------------|---------------------------------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Taxation charges | | | | |
| PRC income tax | <u>2,356</u> | <u>2,324</u> | <u>1,986</u> | <u>1,883</u> |

7. DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: nil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2014 is based on the profit attributable to ordinary equity owners of the Company of RMB8,005,000 (For the six months ended 30 June 2013: RMB7,541,000) and the weighted average number of shares in issue of 830,000,000 (2013: 830,000,000).



9. 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 | Total reserves RMB'000 Unaudited |
|--|---------------------------------------|---|---|---|---|
| As at 1 January 2013 | 83,000 | 97,252 | 22,623 | 122,575 | 242,450 |
| Total comprehensive income for the period | — | — | — | 6,282 | 6,282 |
| As at 30 June 2013 | <u>83,000</u> | <u>97,252</u> | <u>22,623</u> | <u>128,857</u> | <u>248,732</u> |
| As at 1 January 2014 | 83,000 | 97,252 | 23,152 | 121,406 | 241,810 |
| Total comprehensive income for the period | — | — | — | 5,364 | 5,364 |
| As at 30 June 2014 | <u>83,000</u> | <u>97,252</u> | <u>23,152</u> | <u>126,770</u> | <u>247,174</u> |

10. TRADE AND NOTE RECEIVABLES

| | As at 30 June 2014 RMB'000 Unaudited | As at 31 December 2013 RMB'000 Audited |
|---------------|--|--|
| 0-90 days | 64,041 | 78,084 |
| 91-180 days | 35,590 | 52,793 |
| 181-365 days | 88,651 | 59,464 |
| Over 365 days | 84,439 | 46,241 |
| | <u>272,721</u> | <u>236,582</u> |



11. TRADE PAYABLES

| | As at 30 June 2014 RMB'000 Unaudited | As at 31 December 2013 RMB'000 Audited |
|---------------|--|--|
| 0-90 days | 19,195 | 26,207 |
| 91-180 days | 7,877 | 4,217 |
| 181-365 days | 11,411 | 5,186 |
| Over 365 days | 23,657 | 16,387 |
| | <u>62,140</u> | <u>51,997</u> |



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the six months ended 30 June 2014 (the “Period under Review”), the Group achieved a turnover of approximately RMB180,177,000 (2013: RMB193,576,000), representing a decrease of approximately 7% over the same period last year. During the period, profit attributable to the shareholders was RMB8,005,000 (2013: RMB7,541,000), representing an increase of approximately 6% from the same period last year. Earnings per share increased by 5% to RMB0.96 cent.

The decrease in turnover was primarily attributable to the fact that the Nanjing government rectified the outdoor advertisement during the Youth Olympic Games, which resulted in the decrease of the Group’s ownership of outdoor advertisements, meanwhile, the profit slightly increased as a result of the improvement of the Group’s management system and the decrease of management fee.

During the Period under Review, the revenue from outdoor advertising media dissemination business, terminal dissemination service, outdoor advertising media production business and art trading business accounted for approximately 55.68% (2013: 63.34%), 30.62% (2013: 22.29%), 13.55% (2013: 14.37%) and 0.15% (2013: nil), respectively, of the Group’s total turnover. The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: nil).

MEDIA DISSEMINATION BUSINESS

During the Period under Review, the Group’s outdoor advertising media dissemination business recorded a turnover of approximately RMB100,311,000, representing a decrease of approximately 18% over the same period last year and accounting for 55.68% of the Group’s total turnover. Currently, the Group has outdoor media resources of approximately 190,000 square metres, including billboards in 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 estates, 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 under Review, it contributed to the Group a turnover and a profit of approximately RMB37,200,000 and approximately RMB3,090,000 respectively. Currently, approximately 8,000 advertising boards targeting 9 million households of 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, 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 also maintained its partnerships 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, and Inner Mongolia Mengniu Dairy, Shenzhen Media Group, Shandong Hengan Paper (山東恒安紙業) and Jiuhuashan Scenic Area, etc.

TERMINAL DISSEMINATION SERVICE, MEDIA PRODUCTION BUSINESS AND ART TRADING BUSINESS

The Group continued to further its “Terminal Dissemination” business during the period, and recorded a turnover of approximately RMB55,172,000, representing an increase of approximately 28% over the same period last year and accounting for approximately 30.62% of the Group’s total turnover. “Terminal Dissemination” continued to serve well-known brands such as Nike, Li Ning, CR Vanguard, LEE, Bridgestone and Fonton Daimler. In particular, the total contract value of projects with Kubota, CR Vanguard, Nike, LEE and Fonton Daimler amounted to nearly RMB30,000,000.

During the Period under Review, the turnover of the Group’s media production business was approximately RMB24,416,000, representing a decrease of approximately 12% over the same period last year and accounting for approximately 13.55% of the Group’s total turnover.

During the Period under Review, the turnover of the Group’s art trading business was approximately RMB278,000, accounting for approximately 0.15% of the Group’s total turnover.



THE WEBSITE OF “SINA JIANGSU”

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, in order to promote China’s painting and calligraphy art, bring artists with good potential or proven skills to the global market and world class art galleries through market consolidation of resources, and 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 under Review, Dahe Arts Gallery made a major push to promote its contracted painters through various marketing channels such as global outdoors media, network media, public relations and news coverage and successfully held a number of culture and art activities such as spring 2014 auctions, painting and calligraphy exhibition and lecture on arts investment.

BUSINESS DEVELOPMENT

During the Period under Review, the Group strived to develop its art trading business and successfully held “auctions for Jinling painting and calligraphy gala (金陵書畫迎春展拍賣活動)” and “spring 2014 auctions of Dahe Arts Gallery (大賀藝術空間2014春季拍賣會)”, which not only promoted the recognition of artists contracted with the Group but further expanding its influence in art market.

During the Period under Review, the Group won the bid for “youth Olympic cultural and sports park project: purchase of signs and related services (青奧文化體育公園項目：標識採購及相關服務)”, one of the key projects in Nanjing Youth Olympic Games, which demonstrates the Group’s strengths in marketing and dissemination and lays a solid foundation for becoming a professional service provider that can undertake the key government projects in the future.



AWARDS AND HONOURS

DAHE GROUP

January 2014

The Group won the highest prize “Top 10 Private Cultural Enterprises (民營文化企業十強)” in the first 2013 Nanjing cultural industry “golden plane (金梧桐)” campaign sponsored by Nanjing Cultural Industry Association (南京文化產業協會) under the guidance of Nanjing Municipal Propaganda Department (南京市委宣傳部) and Nanjing Culture, Radio, Film, TV, Press and Publication Bureau (南京市文廣新局).

March 2014

The Group won the title of “enterprise credit rating certificate – AAA (企業資信等級證書-AAA級)” issued by Lianhe Credit Information Co., Ltd, a credit rating institution recognized by the headquarters of the People’s Bank of China.

April 2014

The landing of advertisement for “top 10 Jinling painters’ painting and calligraphy exhibition (金陵十家書畫展)” sponsored by the Group at New York Times Square, was elected as “major events for Jiangsu’s brands in 2013 (2013品牌江蘇大事件) and regarded as “an initiative in Chinese culture brands”.

May 2014

The Group’s plan for “international youth painting and calligraphy competition (國際青少年書畫大賽)” was awarded as “excellent creative solution (優秀創意方案)” in the network conscription activities for creative solutions with a theme of “my dream Youth Olympic Games (我夢想中的青奧會)”.



OUTLOOK

Due to smooth operation of China's national economy and stable progress in structure adjustment in the first half of 2014, the government will continue to strongly support the development of culture industry to lead the optimization and upgrade of China's economic structure. Recently, the state council and competent departments have enacted a series of culture industrial policies such as the Opinions on Accelerated Development of Foreign Cultural Trade (《關於加快發展對外文化貿易的意見》) and Certain Opinions on Promotion of Integration of Cultural Creation and Design Service with Related Industries (《國務院關於推進文化創意和設計服務與相關產業融合發展的若干意見》), which give preferential treatment in taxation, finance, admittance and land, etc. With these policy support, culture enterprises face unprecedented opportunities to grow.

Driven by both national favor policies and stable growth in domestic demand, the Group is optimistic about the medium and long term development of China's outdoor and innovative media. In the future, the Group will, in addition to enhancement of its flagship product "Enkon Express Media" and development of new business platform, continue to develop art trading business and promote capital operations and professional development of art trading through market consolidation of resources.

Looking forward, the Group will actively capitalize on the development of network advertisement market to consolidate outdoor media, traditional TV media and other medias such as emerging network media to build a whole marketing and dissemination industrial chain by making full use of national policy support and in reliance upon its own advantages in technological innovation and rich market experience, aiming to become a most influential leader in all media marketing and outdoor advertisement in China.



FINANCIAL REVIEW

TURNOVER

For the six months ended 30 June 2014 (the “Period under Review”), the Group’s turnover was approximately RMB180,177,000, representing a decrease of approximately 7% as compared with the corresponding period last year.

GROSS PROFIT

During the Period under Review, gross profit was approximately 35.2%, representing a decrease of approximately 0.8 percentage points over 36% of the corresponding period last year.

DISTRIBUTION COSTS

During the Period under Review, distribution costs increased by 6% as compared with the corresponding period last year, mainly due to the increase of business promotion costs.

ADMINISTRATION EXPENSES

During the Period under Review, administration expenses decreased by 33% as compared with the corresponding period last year.

FINANCIAL COSTS

During the Period under Review, financial costs were approximately RMB9,829,000, representing an increase of 2% 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 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. To increase the Group’s stable and long-term revenue, and to maximise the Company’s value as a whole, the Group proposed to acquire 49% equity interest in Nanjing Millennium Ankang International Media Co. Ltd. (南京千禧安康國際傳媒廣告有限公司).



LIQUIDITY AND FINANCIAL RESOURCES

The Group has adopted a prudent financial management policy and maintained a strong financial position. As at 30 June 2014, net current assets were approximately RMB182,072,000 (As at 31 December 2013: approximately RMB159,705,000).

As at 30 June 2014, bank balance and cash held by the Group amounted to approximately RMB199,685,000. The Group has bank borrowings of approximately RMB319,424,000. Net debt to equity ratio was approximately 32%, i.e. the percentage of bank loans less bank balance and cash in net assets amounting to RMB379,536,000 (As at 31 December 2013: net debt to equity ratio was approximately 31%). The Group controlled our capital based on the net debt to equity ratio, and implemented solid financial policy to safeguard liquidity to satisfy our operating needs.

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 important investment.

IMPORTANT ACQUISITION AND DISPOSAL

During the Period under Review, the Group proposed to acquire 49% equity interest in Nanjing Millennium Ankang International Media Co. Ltd. (南京千禧安康國際傳媒廣告有限公司).

STAFF

As at 30 June 2014, the Group has a total of approximately 600 full-time staff. During the Period under Review, cost of staff was approximately RMB23,140,000 (corresponding period in 2013: approximately RMB26,610,000).

REMUNERATION POLICY

The Group provides competitive salary and benefits to our employees. Salary of the employees is reviewed regularly each year under our salary policy based on their performance.

EMPLOYEES' PENSION SCHEME

According to relevant requirements of the PRC, the Company contributes to various mandatory pension schemes for its employees.

CHARGE ON THE GROUP'S ASSETS

As at 30 June 2014, the Group's pledged bank deposits of approximately RMB42,100,000 (30 June 2013: RMB50,000,000) were pledged as security for the Group's borrowings.



CONTINGENT LIABILITIES

As at 30 June 2014, 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 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 30 June 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 <i>(Note 1)</i> | Capacity | Number and class of securities <i>(Note 2)</i> | Approximate percentage of shareholding in the relevant class of securities | Approximate percentage of shareholding in the issued share capital of the Company |
|--|---|---|--|---|
| He Chaobing ("Mr. He") | Interest of a controlled corporation <i>(Note 3)</i> | 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 Dahe Investment Holdings Company Limited ("DIHG") 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 <i>(Note 1)</i> | 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 2014.

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 2014, 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 <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 | Company | Beneficial owner | 418,000,000 Domestic Shares (L) | 72.07% | 50.36% |
| Yan Fen | 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% |

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 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 30 June 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 High-Tech Venture Capital Co., Ltd. | 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 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 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 Corporate Governance Code 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. Xu Haoran, 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
7 August 2014

As at the date of this report, the Board comprises Mr. He Chaobing and Ms. Lu Yin, being the executive Directors, Mr. Xu Haoran, 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*