



大賀傳媒股份有限公司
DAHE MEDIA CO., LTD.*

(a joint stock limited company incorporated established in the
People's Republic of China with limited liability)
(Stock Code : 8243)



2015
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 2015, the Group realised a turnover of approximately RMB65,221,000, representing a decrease of approximately 21% over the same period of 2014.
- Gross turnover of the Group for the three months ended 31 March 2015 was mainly from media dissemination, terminal dissemination, media production and art trading, representing approximately 52.81% (three months ended 31 March 2014: 61.06%), 33.51% (three months ended 31 March 2014: 27.6%), 12.02% (three months ended 31 March 2014: 11.32%) and 1.66% (three months ended 31 March 2014: 0.02%) respectively of the gross turnover.
- For the three months ended 31 March 2015, profit attributable to the owners of the Company was approximately RMB1,870,000, representing an increase of approximately 64% over the same period of 2014.
- Earnings per share were approximately RMB0.22 cent (2014: RMB0.14 cent).
- The Board did not recommend the payment of a quarterly dividend for the three months ended 31 March 2015 (2014: 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 2015, together with the comparative figures for the corresponding period in 2014 as follows, which has been reviewed by the audit committee of the Company:

	Notes	For the three months ended 31 March	
		2015 RMB'000 Unaudited	2014 RMB'000 Unaudited
Turnover	2	65,221	83,131
Cost of sales		<u>(41,820)</u>	<u>(55,877)</u>
Gross profit		23,401	27,254
Other income and net gain		461	(317)
Distribution costs		(8,861)	(10,703)
Administrative expenses		<u>(7,478)</u>	<u>(9,489)</u>
Profit from operations		7,523	6,745
Finance costs		<u>(4,911)</u>	<u>(4,625)</u>
Profit before income tax		2,612	2,120
Income tax expenses	5	<u>(805)</u>	<u>(370)</u>
Profit and total comprehensive income for the period		<u><u>1,807</u></u>	<u><u>1,750</u></u>
Attributable to:			
Owners of the Company		1,873	1,141
Non-controlling interests		<u>(66)</u>	<u>609</u>
		<u>1,807</u>	<u>1,750</u>
Earnings per share			
– Basic (RMB)	7	<u><u>0.22 cent</u></u>	<u><u>0.14 cent</u></u>



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 2014. Save as mentioned above, 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 2014.

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	
	2015	2014
	RMB'000	RMB'000
	Unaudited	Unaudited
Income from the media dissemination	34,441	50,756
Income from terminal dissemination	21,855	22,944
Income from media production	7,841	9,414
Art trading	1,084	17
	65,221	83,131

3. SEGMENT REVENUE AND RESULTS

For the three months ended 31 March 2015 (unaudited)

	Media Dissemination RMB'000	Media Production RMB'000	Terminal Dissemination RMB'000	Art trading RMB'000	Total RMB'000
Revenue from external customers	34,441	7,841	21,855	1,084	65,221
Reportable Segment results	17,177	977	5,041	206	23,401
Other income and net loss					461
Distribution costs					(8,861)
Administrative expenses					(7,478)
Finance costs					(4,911)
Profit before income tax					2,612

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					(4,625)
Profit before income tax					2,120



4. PROFIT BEFORE INCOME TAX

	For the three months ended 31 March	
	2015	2014
	RMB'000	RMB'000
	Unaudited	Unaudited
Profit before income tax		
is arrived after charging the following:		
Depreciation	5,793	6,497
Amortisation of prepaid land lease payment	14	14
Amortisation of other intangible assets	56	56

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 2015 (2014: 15%). The subsidiaries of the Company are subject to standard EIT rate of 25% for the three months ended 31 March 2015.

6. DIVIDEND

The board of directors does not recommend the payment of a quarterly dividend for the three months ended 31 March 2015 (2014: nil).

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months ended 31 March 2015 is based on the profit attributable to ordinary equity owners of the Company of RMB1,873,000 (for the three months ended 31 March 2014: profit of RMB1,141,000) and the weighted average number of shares in issue of 830,000,000 (2014: 830,000,000).

8. RESERVES

	Share premium and capital reserves	Statutory surplus reserve	Other reserves	Retained profits	Total reserves	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
As at 1 January 2014	83,000	97,384	28,809	(844)	133,502	341,851
Total comprehensive income for the period	—	—	—	—	1,141	1,141
As at 31 March 2014	<u>83,000</u>	<u>97,384</u>	<u>28,809</u>	<u>(844)</u>	<u>134,643</u>	<u>342,992</u>
As at 1 January 2015	83,000	97,252	28,085	(48,289)	146,910	306,958
Total comprehensive income for the period	—	—	—	—	1,873	1,873
As at 31 March 2014	<u>83,000</u>	<u>97,252</u>	<u>28,085</u>	<u>(48,289)</u>	<u>148,783</u>	<u>308,831</u>



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the three months ended 31 March 2015 (the “Period under Review”), the Group achieved a turnover of approximately RMB65,221,000 (2014: RMB83,131,000), representing a decrease of approximately 21% over the same period last year. During the period, profit attributable to the shareholders was approximately RMB1,870,000 (2014: RMB1,140,000), representing an increase of approximately 64% over the same period last year. Earnings per share increased by 57% to RMB0.22 cent.

The decrease in turnover was primarily attributable to the disposal of 55% equity interest in its subsidiary, Sichuan Xintianjie, by the Group on 13 October 2014, which reduced part of the turnover, and an increase in profit as a result of the continuous improvement of the Group’s management system and a decline in management fee.

During the period, the revenue from outdoor advertising media dissemination business, terminal dissemination service, outdoor advertising media production business and art trading business accounted for approximately 52.81% (2014: 61.06%), 33.51% (2014: 27.6%), 12.02% (2014: 11.32%) and 1.66% (2014: 0.02%), respectively, of the Group’s turnover. The Board does not recommend the payment of a quarterly dividend for the three months ended 31 March 2015 (2014: nil).

MEDIA DISSEMINATION BUSINESS

During the Period under Review, the Group’s outdoor advertising media dissemination business recorded a turnover of approximately RMB34,441,000, representing a decrease of approximately 32% over the same period last year and accounting for 52.81% of the Group’s total turnover. Currently, the Group has outdoor media dissemination resources of approximately 150,000 square meters, 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, it contributed to the Group a turnover and a profit of approximately RMB12,210,000 and approximately RMB1,130,000 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 had been extended to cities including Beijing, Shanghai, Guangzhou, Nanjing, Shenzhen, Hangzhou and Shenyang, and contributed a total of approximately 28,000 square meters 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, Anhui Satellite, JDB China, Shandong Hengan Paper (山東恒安紙業), 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 RMB21,855,000, representing a decrease of approximately 4.7% over the same period last year and accounting for approximately 33.51% of the Group’s total turnover. “Terminal Dissemination” continued to serve well-known brands such as Wuzhen Travel, Nike, JDB, COFCO Group, Yihai Kerry, Wal-Mart, CR Vanguard, Li Ning, LEE, Bridgestone, KFC, Beiqi Foton Motor Daimler, etc. In particular, the contract value of projects such as Li Ning, Beiqi Foton Motor, CR Vanguard, Nike and LEE amounted to nearly RMB12 million.

During the Period under Review, the turnover of the Group’s media production business was approximately RMB7,841,000, representing a decrease of approximately 17% over the same period last year and accounting for approximately 12.02% of the Group’s total turnover.

During the period, the turnover of the Group’s art trading business was approximately RMB1,084,000, accounting for 1.66% 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

In order to promote China’s painting and calligraphy art and bring Chinese artists with good potential and 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 disseminator of Greater China cultures. Dahe Arts Gallery aims at finding genuine artists and implements online and offline promotion through the positioning of artists and carries out exhibit auctions of various sizes and the development of later period painting and calligraphy derivatives.



BUSINESS DEVELOPMENT

During the review period, the Group has put effort on promoting the further consolidation of the Group's various resources from the media platform, in order to realize the optimization of diffuse and promote of our brand. The Group has successfully launched Dahe Zhihui College wechat platform, Dahe Arts Gallery wechat platform, Dahe Human Resources wechat platform. The Group's brand image was promoted through media.

AWARDS AND HONOURS

CHAIRMAN

Our Chairman was awarded the title of "Top 10 Outstanding Entrepreneur Performing Social Responsibilities in 2014" granted by "Xinhua Net of Xinhua News Agency and the Research Center for Corporate Social Responsibility of Chinese Academy of Social Sciences".

At the Sixth China Comprehensive Brand Management Forum (第6屆中國全面品牌管理論壇), our Chairman was recognized as A Brand Innovator in the Jiangsu Brand Award for 2014.

At the Sixth China Comprehensive Brand Management Forum and the six meeting of the first session of the Council of Jiangsu Brand Association, our Chairman Mr. He Chaobing was granted the honorary title of "Brand Innovator".



DAHE GROUP

March 2015

The Group successfully won the bid for the advertisement placement project of Jiangsu Provincial Tourism Bureau (community advertising panels in Shanghai). In 2015, Dahe Media will become the sole community media service provider for 13 municipal tourism bureaus in Jiangsu province.

The Group won the certificate of “Enterprise Credit Rating Certificate – AAA (企業資信等級證書-AAA級)” issued by the Jiangsu branch of Lianhe Credit Information Co., Ltd.

OUTLOOK

In order to propel the development of the culture industry, the Ministry of Culture and the Ministry of Finance will actively implement the Guidance Opinions regarding the Further Promotion of Cooperation between the Cultural and Financial Industries (關於深入推進文化金融合作的指導意見) and continue to implement the “Supporting Plan for the Cultural and Financial Industries” in the special development funds for the culture industry in the central finance by further institutionalizing, standardizing and scientizing the established models for loan interest discount, bond interest discount, insurance premium subsidy, etc. This will contribute to the vigorous development of the culture and media industry.

With the development and advancement of the era and technologies, outdoor media advertisements will achieve more precise dissemination effects through innovative technologies and ideas in the future. Meanwhile, as the government promulgates the policy of “small quantity and high quality” for outdoor media billboards, the Group’s larger market share in billboards will allow it to demonstrate more significant resource advantages.

Looking forward, the Group will, in addition to further exploring outdoor media resources and optimizing its industry structure, continue to develop the art trading business and promote capital operations and professional development of art trading through consolidation of market resources. With that, the Group aims to further expand its influence in the art market, laying a solid foundation for long-term growth.



FINANCIAL REVIEW

TURNOVER

Turnover of the Group for the period under review was approximately RMB65,221,000, decreased by approximately 21% when compared with the corresponding period last year.

GROSS PROFIT

During the period under review, gross profit margin was approximately 35.9%, increased by 3.1 percentage points when compared with 32.8% for the corresponding period last year.

DISTRIBUTION COSTS

During the period under review, distribution costs decreased by 17% when compared with the corresponding period last year.

ADMINISTRATION EXPENSES

During the period under review, administrative expenses decreased by 21% when compared with the corresponding period last year.

FINANCIAL EXPENSES

During the period under review, finance costs were approximately RMB4,911,000, increased by 6% when compared with the corresponding period last year.

DIVIDENDS

The Directors do not recommend distribution of a quarterly dividend for the three months ended 31 March 2015 (2014: 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 2015, 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 2015, net current asset was approximately RMB151,720,000 (As at 31 December 2014: approximately RMB113,210,000).

As at 31 March 2015, bank balance and cash held by the Group amounted to approximately RMB85,110,000. Bank borrowings amounted to approximately RMB275,000,000. Net debt to equity ratio was approximately 61%, i.e. the percentage of bank loans less bank balance and cash in net assets amounting to approximately RMB311,570,000 (As at 31 December 2014: net debt to equity ratio was approximately 61.7%).

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 2015, the Group has about 510 full-time staff. During the period under review, cost of staff was approximately RMB11,820,000 (corresponding period in 2014: approximately RMB12,840,000).

CONTINGENT LIABILITIES

As at 31 March 2015, 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 2015.

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 2015, 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	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 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. ("DIHG") 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 <i>(Note 1)</i>	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 2015.

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 2015, 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 5% 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%

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 2015.



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 2015, save for the persons/entities disclosed in sub-section B above, the following persons/entities 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) (Note 2)	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:

- The letter "L" denotes the person's/entity's long position in the Shares.
- Such 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), a subsidiary of Nanjing State-owned Asset Investment Holdings (Group) Company Limited.

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 2015 in the register required to be kept under section 336 of the SFO.



CHANGE IN SHAREHOLDING

Nanjing Hi-Tech Venture Capital Co., Ltd. proposed to transfer 6.02% of the shareholding of the Company (i.e. 50,000,000 shares) held by it and the agreement will be effective after the approval by the relevant government authorities.

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 non-executive directors, Mr. Xu Haoran, 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 2015

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*