



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)



2016 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 Stock. 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 traded 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 this report or any statement herein misleading.



HIGHLIGHTS

- For the three months ended 31 March 2016, the Group realised a turnover of approximately RMB67,333,000, representing an increase of approximately 3% over the same period of 2015.
- Gross turnover of the Group for the three months ended 31 March 2016 was mainly from media dissemination, terminal dissemination service, media production and art trading, representing approximately 57.09% (2015: 52.81%), 39.13% (2015: 33.51%), 3.56% (2015: 12.02%) and 0.22% (2015: 1.66%) respectively of the gross turnover.
- For the three months ended 31 March 2016, profit attributable to the owners of the Company was approximately RMB2,097,000, representing an increase of approximately 12% over the same period of 2015.
- Earnings per share were approximately RMB0.25 cent (2015: RMB0.22 cent).
- The Board did not recommend the payment of a quarterly dividend for the three months ended 31 March 2016 (2015: 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 2016, together with the comparative figures for the corresponding period in 2015 as follows, which has been reviewed by the audit committee of the Company:

		For the three months ended 31 March	
	Notes	2016 RMB'000 Unaudited	2015 RMB'000 Unaudited
Turnover	2	67,333	65,221
Cost of sales		(45,377)	(41,820)
Gross profit		21,956	23,401
Other income and net gain		1,485	461
Distribution costs		(8,797)	(8,861)
Administrative expenses		(7,583)	(7,478)
Profit from operations		7,061	7,523
Finance costs		(4,592)	(4,911)
Profit before income tax	4	2,469	2,612
Income tax expenses	5	(402)	(805)
Profit and total comprehensive income for the period		2,067	1,807
Attributable to owners of the Company		2,097	1,873
Non-controlling interests		(30)	(66)
		2,067	1,807
Earnings per share			
– Basic (RMB)	7	0.25 cent	0.22 cent



NOTES TO THE CONDENSED FINANCIAL INFORMATION

1. BASIS OF REPORTING

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 2015. 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 preparation of the audited annual financial statements of the Group for the year ended 31 December 2015.

2. TURNOVER

Turnover represents the sales value of goods sold and services provided to customers after allowances for returns and discounts and is analysed as follows:

	For the three months ended 31 March	
	2016	2015
	RMB'000	RMB'000
	Unaudited	Unaudited
Income from the media dissemination	38,439	34,441
Income from terminal dissemination	26,349	21,855
Income from media production	2,397	7,841
Art trading	148	1,084
	<hr/>	<hr/>
	67,333	65,221
	<hr/> <hr/>	<hr/> <hr/>



3. SEGMENT REVENUE AND RESULTS

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

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

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

- Media dissemination
- Media production
- Terminal dissemination
- Art trading

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

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

For the three months ended 31 March 2016 (unaudited)

	Media Dissemination RMB'000	Media Production RMB'000	Terminal Dissemination Services RMB'000	Art trading RMB'000	Total RMB'000
Revenue from external customers	38,439	2,397	26,349	148	67,333
Reportable segment results	14,830	406	6,675	45	21,956
Other income and net loss					1,485
Distribution costs					(8,797)
Administrative expenses					(7,583)
Finance costs					(4,592)
Profit before income tax					2,469



For the three months ended 31 March 2015 (unaudited)

	Media Dissemination RMB'000	Media Production RMB'000	Terminal Dissemination Services 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

4. PROFIT BEFORE INCOME TAX

**For the three months
ended 31 March**

2016	2015
RMB'000	RMB'000
Unaudited	Unaudited

Profit before income tax

is arrived after charging the following:

Depreciation	5,302	5,793
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 relevant year.

In accordance with the 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 2016 (2015: 15%). The subsidiaries of the Company are subject to standard EIT rate of 25% for the three months ended 31 March 2016.

6. DIVIDEND

The board of directors does not recommend the payment of a quarterly dividend for the three months ended 31 March 2016 (2015: nil).

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months ended 31 March 2016 is based on the profit attributable to ordinary equity owners of the Company of RMB2,097,000 (2015: RMB1,873,000) and the weighted average number of shares in issue of 830,000,000 (2015: 830,000,000).

8. RESERVES

	Share premium and capital reserves	Statutory surplus reserve	Other reserves	Retained profits	Total reserves
	Share capital RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
As at 1 January 2015	83,000	97,252	28,085	(48,289)	146,910
Total comprehensive income for the period	—	—	—	1,873	1,873
As at 31 March 2015	83,000	97,252	28,085	(48,289)	148,783
As at 1 January 2016	83,000	97,252	30,003	(48,289)	166,985
Total comprehensive income for the period	—	—	—	2,097	2,097
As at 31 March 2016	83,000	97,252	30,003	(48,289)	169,082



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the three months ended 31 March 2016 (the “Period under Review”), the Group achieved a turnover of approximately RMB67,333,000 (2015: RMB65,221,000), representing an increase of approximately 3% over the same period last year. During the period, profit attributable to the shareholders was approximately RMB2,100,000 (2015: RMB1,870,000), representing an increase of approximately 12% over the same period last year. Earnings per share increased by 14% to RMB0.25 cent.

The turnover was kept stable and slightly increased mainly due to the continuously improvement of the terminal dissemination business level, while the Group’s constant efforts in consolidating the community media resources across the country and the outdoor media resources based on the customers’ needs.

During the period, the revenue from outdoor advertising media dissemination business, terminal dissemination service, media production and art trading business accounted for approximately 57.09% (2015: 52.81%), 39.13% (2015: 33.51%), 3.56% (2015: 12.02%) and 0.22% (2015: 1.66%), respectively, of the Group’s turnover. The Board does not recommend the payment of a quarterly dividend for the three months ended 31 March 2016 (2015: nil).

MEDIA DISSEMINATION BUSINESS

During the Period under Review, the Group’s media dissemination business recorded a turnover of approximately RMB38,439,000, representing an increase of approximately 11.6% over the same period last year and accounting for 57.09% of the Group’s total turnover. Currently, the Group has outdoor media dissemination resources of approximately 150,000 square meters, and provides one-stop advertising service covering integrated marketing communication consultation, media publication strategy consultancy, advertising design and production, outdoor mass media dissemination as well as monitoring and evaluation. The media is in the primary forms of community media, outdoor billboards, large LED advertising screens and professional market media, etc.. 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.

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 RMB18,230,000 and approximately RMB1,120,000 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, the community 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, China Telecom, New City Real Estate (新城市置業), Construction Bank, China UnionPay, Shenzhen Media Group, Huangshan Travel and Jiuhuashan Scenic Area, etc.

The outdoor media is mainly in the form of billboards on expressways, billboards in urban areas and LED screens. The Group makes a full-scale entry into the outdoor advertising field, and owns large full color outdoor LED screens of approximately 1,000 square meters in the prime core business district in Nanjing, so as to provide efficient, flexible and personalized media publication solutions for the customers. Moreover, the Group also integrates the outdoor LED media resources scattered in tier two, three and four cities across China to establish the LED broadcast network.

TERMINAL DISSEMINATION SERVICE, MEDIA PRODUCTION BUSINESS AND ART TRADING BUSINESS

The core business of terminal dissemination includes the establishment of terminal SI system, targeted signage system, terminal POP system, large events, exhibition display and commercial display. The Group continued to further its “Terminal Dissemination” business during the period, and recorded a turnover of approximately RMB26,349,000, representing an increase of approximately 20% over the same period last year and accounting for approximately 39.13% 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, Microsoft, Alibaba, KFC, Beiqi Foton Motor Daimler, Samsung, Haohaizi, Kubota, GAP, Orient Securities, etc.

During the Period under Review, the turnover of the Group’s media production business was approximately RMB2,397,000, representing a decrease of approximately 69% over the same period last year and accounting for approximately 3.56% of the Group’s total turnover.

During the period, the turnover of the Group’s art derivatives trading was approximately RMB148,000, representing a decrease of approximately 86% when compared with the same period of last year and accounting for approximately 0.22% 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, which optimised the Group’s marketing and dissemination industrial chain and formed a Dahe marketing and dissemination chain integrates 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 TRADING – 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 to enhance reputation of the artists and value of their works.

BUSINESS DEVELOPMENT

During the Period under Review, 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 diffusion and promotion 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

On 9 January 2016, He Chaobing, the chairman of Dahe Media, was appointed as the consultant to the fourth Standing Committee of the Outdoor Advertising Subcommittee of China Advertising Association.

DAHE GROUP

On 28 March 2016, the Group won the grand award of Supplier Partners of Alibaba Group.

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 media production business. With the extensive customer service experience, most creative design team and excellent production, installation and execution team, the Group will continue to adjust the client structure to upgrade and restructure.



FINANCIAL REVIEW

TURNOVER

Turnover of the Group for the Period under Review was approximately RMB67,333,000, increased by approximately 3% when compared with the corresponding period last year.

GROSS PROFIT

During the Period under Review, gross profit margin was approximately 32.6%, decreased by 3.3 percentage points when compared with 35.9% for the corresponding period last year.

DISTRIBUTION COSTS

During the Period under Review, distribution costs decreased by 0.7% when compared with the corresponding period last year.

ADMINISTRATION EXPENSES

During the Period under Review, administrative expenses increased by 1.4% when compared with the corresponding period last year.

FINANCE COSTS

During the Period under Review, finance costs were approximately RMB4,592,000, decreased by 6.5% when compared with the corresponding period last year.

DIVIDENDS

The Directors do not recommend the declaration of the quarterly dividend for the three months ended 31 March 2016 (2015: nil).



FUTURE SIGNIFICANT 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 2016, 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 2016, net current asset was approximately RMB207,370,000 (As at 31 December 2015: approximately RMB186,710,000).

As at 31 March 2016, bank balances and cash held by the Group amounted to approximately RMB81,530,000. Bank borrowings amounted to approximately RMB374,000,000 and finance lease payable amounted to approximately RMB13,330,000. Net debt-to-adjusted capital ratio was approximately 48%, being the percentage of bank loans and finance lease payable less bank balances and cash and pledged bank deposits over total equity attributable to owners of the Company and net debt of approximately RMB637,220,000 (As at 31 December 2015: net debt-to-adjusted capital ratio was approximately 41.6%).

FOREIGN EXCHANGE

As the Group's income and expense are denominated in RMB, there are no 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 2016, the Group has about 475 (2015: 510) full-time staff. During the Period under Review, staff cost was approximately RMB10,440,000 (corresponding period in 2015: approximately RMB11,820,000).

CONTINGENT LIABILITIES

As at 31 March 2016, the Group has no material contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Except the Management Share Purchase Scheme, at no time during the period were the Company, its holding company or their respective subsidiaries a party to any arrangements to enable the Directors and supervisors ("Supervisors") of the Company to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate. The Company has adopted the Management Share Purchase Scheme on 30 October 2015. For more information about the Management Share Purchase Scheme, please refer to the disclosure set out in pages 22 and 23 in 2015 Annual Report of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association requiring the Company to issue new shares on a pro rata basis to existing shareholders.



CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

During the Period, the Company has continued to adopt a set of transaction standards in respect of securities transactions by its Directors and Supervisors, which is no less stringent than that stipulated in Rules 5.46 to 5.67 of the GEM Listing Rules. The Company has also made specific inquiries to all its Directors and Supervisors, and is not aware of any violation of the transaction standards and the model code in respect of securities transactions by its Directors or Supervisors as required.

A. DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

As at 31 March 2016, the interests and short positions of Directors, chief executives 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%
Zhang Ge	Beneficial owner	71,800,000 Domestic Shares (L)	12.37%	8.66%
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:

- All of the persons named above are Directors, except Ms. Wang Mingmei who is a Supervisor of the Company.
- The letters "L" denote a long position in the share capital.
- The interests in the domestic shares were held through Dahe Investment Holdings Group, Co., Ltd. ("DIHG" or "Dahe Investment") which is 99% and 1% owned by Mr. He Chaobing and Ms. Yan Fen, spouse of Mr. He, respectively. As stated in the announcement of the Company dated 25 November 2015, Dahe Investment and Nanjing Pukou Chenwei Ink Factory ("Chenwei Ink Factory") (as vendors) entered into a share transfer agreement with Nanjing Shengshi Huacheng Investment Management Joint Enterprise (limited partnership) ("Shengshi Huacheng") (as purchaser) on 25 November 2015, to transfer 24,050,000 and 30,000,000 domestic shares of the Company respectively to Shengshi Huacheng as the scheme shares for the Management Share Purchase Scheme. Approval procedures in the PRC of the transfer have been completed on 18 April 2016.

(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 Directors, chief executives or Supervisors of the Company who has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporation as at 31 March 2016.

Save and except for Mr. He Chaobing, who is a director of DIHG, none of the Directors or proposed Directors have 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 as at 31 March 2016.



B. SUBSTANTIAL SHAREHOLDERS

As at 31 March 2016, so far as is known to the Directors or chief executives of the Company, 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 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) <i>(Note 2)</i>	72.07%	50.36%
Yan Fen	the Company	Interest of spouse <i>(Note 3)</i>	418,000,000 Domestic Shares (L)	72.07%	50.36%

Notes:

- The letters "L" denote a long position in the shares.
- As stated in the announcement of the Company dated 25 November 2015, Dahe Investment and Chenwei Ink Factory (as vendors) entered into a share transfer agreement with Shengshi Huacheng (as purchaser) on 25 November 2015, to transfer 24,050,000 and 30,000,000 domestic shares of the Company respectively to Shengshi Huacheng as the scheme shares for the Management Share Purchase Scheme. Approval procedures of the transfer have been completed on 18 April 2016.
- 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 2016.



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 2016, 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
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) (Note 2)	8.62%	6.02%
Nanjing Pukou Chenwei Ink Printing Factory* (南京市浦口區晨威油墨廠)	Beneficial owner	30,000,000 Domestic Shares (L) (Note 3)	5.17%	3.61%

Notes:

1. The letter "L" denotes the person's/entity's long position in the domestic shares.
2. Such interests in the domestic shares are 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 Assets Investment Management Holdings (Group) Co., Ltd.



As disclosed in the announcements of the Company dated 30 September 2015 and 6 November 2015 respectively, the transfer by Nanjing Hi-tech Venture Capital Co., Ltd. of its holding of 50,000,000 domestic shares to Wang Qinghua by public tender had been approved by the State-owned Assets Supervision & Administration Commission of Jiangsu Province and had been approved by the relevant state-owned assets supervision & administration authority. Approval procedures of the transfer for Industry and Commerce in the PRC have been completed on 18 April 2016.

3. As stated in the announcement of the Company dated 25 November 2015, Dahe Investment and Chenwei Ink Factory (as vendors) entered into a share transfer agreement with Shengshi Huacheng (as purchaser) on 25 November 2015, to transfer 24,050,000 and 30,000,000 domestic shares of the Company respectively to Shengshi Huacheng as the scheme shares for the Management Share Purchase Scheme. Approval procedures of the transfer have been completed on 18 April 2016.

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 2016 in the register required to be kept under section 336 of the SFO.

COMPETING INTEREST

None of the Directors, controlling shareholders of the Company and their respective close 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, saved for the matters below, 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 (the “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:

1. As Wang Weijie, the former Chief Executive Officer, resigned on 10 December 2007, the post of Chief Executive Officer of the Company was temporarily held by the Chairman, Mr. He Chaobing. On 24 March 2016, the Company separated the posts of Chairman of the Board and Chief Executive Officer and appointed Mr. Huang Hongxing as the Chief Executive Officer. On the same day, the Company re-complied with the relevant provisions of the Code; and



2. The Company has not arranged any insurance coverage for the Directors' liabilities in respect of any potential legal actions against the directors. Given the nature of the Group's business, the Directors believe that the possibility of legal actions against the directors is remote, and the Company still can achieve excellent corporate governance through various management and monitor mechanism, so as to reduce such risks, including periodic review on the effectiveness of internal control system, clear division of duties and providing training for staff and the management. The Board will review, on a regular basis, the necessity to arrange insurance cover for potential legal actions against the directors.

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, internal control and risk 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 2016

As at the date of this report, the Board comprises Mr. He Chaobing and Mr. Huang Hongxing, being the executive Directors, Mr. Xu Haoran, Mr. Ge Jianya and Ms. Ye Jianmei, being the independent non-executive Directors, and Mr. He Lianyi, Mr. He Pengjun, Mr. Geng Qiang and Mr. Zhang Ge being the non-executive Directors.

* *For identification purpose only*