大賀傳媒股份有限公司

DAHE MEDIA CO., LTD.*

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

2016
Third 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 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.

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 Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") 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, not misleading or deceptive, and there are no other matters the omission of which would make this report or any statement therein misleading.*

HIGHLIGHTS

- For the nine months ended 30 September 2016, the Group achieved a turnover of approximately RMB291,157,000 (2015: RMB230,344,000), representing an increase of approximately 26% over the same period of 2015.

- Gross turnover for the nine months ended 30 September 2016 of the Group was mainly attributed from media dissemination, terminal dissemination service, media production and art trading businesses, representing approximately 62.55% (2015: 51.6%), 35.67% (2015: 33.26%), 1.73% (2015: 10.7%) and 0.05% (2015: 4.44%) respectively of the gross turnover.

- For the nine months ended 30 September 2016, profit attributable to the equity holders of the Group was approximately RMB15,056,000 (2015: RMB14,172,000), representing an increase of approximately 6% over the same period of 2015.

- Earnings per share were approximately RMB1.81 cent (2015: RMB1.71 cent).

- The Board does not recommend the payment of a quarterly dividend for the nine months ended 30 September 2016 (2015: nil).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Board ("Board") of Directors ("Directors") 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 nine months ended 30 September 2016 (the "Period under Review") and the three months ended 30 September 2016, together with the comparative figures for the corresponding periods in 2015 as follows:

		Unaudited For the nine months ended 30 September		Unaudited For the three months ended 30 September	
		2016	2015	**2016**	2015
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Turnover	3	**291,157**	230,344	**136,374**	82,817
Cost of sales		**(212,773)**	(141,269)	**(110,930)**	(51,772)
Gross profit		**78,384**	89,075	**25,444**	31,045
Other revenue and net gain		**4,730**	2,276	**212**	2,293
Distribution costs		**(24,977)**	(23,708)	**(8,223)**	(7,484)
Administrative expenses		**(24,543)**	(34,027)	**(8,440)**	(15,823)
Finance costs		**(15,668)**	(16,781)	**(5,215)**	(5,860)
Profit before income tax	5	**17,926**	16,835	**3,778**	4,171
Income tax	6	**(3,010)**	(2,878)	**(705)**	(711)
Profit and total comprehensive inome for the period		**14,916**	13,957	**3,073**	3,460
Profit and other comprehensive inome attributable to:					
Owners of the Company		**15,056**	14,172	**3,141**	3,502
Non-controlling interests		**(140)**	(215)	**(68)**	(42)
		14,916	13,957	**3,073**	3,460
Earnings per share – Basic and diluted (RMB)	7	**1.81 cent**	1.71 cent	**0.38 cent**	0.43 cent

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

1. BASIS OF PREPARATION

These unaudited quarterly results of the Group for the nine months ended 30 September 2016 have been prepared in accordance with Hong Kong Financial Reporting Stardards ("HKFRSs") (which also include Hong Kong Accounting standards and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of Chapter 18 of the GEM Listing Rules.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements has been prepared on the historical cost convention, as modified for the valuation of investment properties which are carried at fair value.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015. Except for those 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 financial statements of the Group for the year ended 31 December 2015.

3. TURNOVER

Turnover, which also means the revenue, represents the invoiced value of goods sold and service provided to customers after any allowance and discounts and is analysed as follows:

Turnover by segments

	Unaudited For the nine months ended 30 September		Unaudited For the three months ended 30 September	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Income from the business of media dissemination	**182,135**	118,853	**97,681**	45,235
Income from the business of terminal dissemination service	**103,848**	76,604	**37,965**	22,325
Income from the business of media production	**5,026**	24,670	**728**	7,034
Income from the business of art trading	**148**	10,217	**—**	8,223
	291,157	230,344	**136,374**	82,817

4. SEGMENTAL INFORMATION

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.

(a) Segment revenue and results

For the nine months ended 30 September 2016 (unaudited)

	Media Dissemination RMB'000	Media Production RMB'000	Terminal Dissemination RMB'000	Art Trading RMB'000	Total RMB'000
Revenue from external customers	182,135	5,026	103,848	148	291,157
Reportable segment results	52,130	583	25,626	45	78,384
Other income and net loss					4,730
Distribution costs					(24,977)
Administrative expenses					(24,543)
Finance costs					(15,668)
Profit before income tax					17,926

For the nine months ended 30 September 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	118,853	24,670	76,604	10,217	230,344
Reportable segment results	62,968	3,092	22,381	634	89,075
Other income and net loss					2,276
Distribution costs					(23,708)
Administrative expenses					(34,027)
Finance costs					(16,781)
Profit before income tax					16,835

5. PROFIT BEFORE INCOME TAX

	Unaudited For the nine months ended 30 September		Unaudited For the three months ended 30 September	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit before income tax is arrived after charging the following:				
Depreciation	**15,562**	17,073	**5,088**	5,671
Amortisation of prepaid land lease payment	**43**	43	**15**	15
Amortisation of other intangible assets	**169**	169	**56**	56

6. INCOME TAX

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 nine months ended 30 September 2016 (2015: 15%). The subsidiaries of the Company are subject to standard EIT rate of 25% for the nine months ended 30 September 2016.

	Unaudited For the nine months ended 30 September		Unaudited For the three months ended 30 September	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Provision for PRC income tax	**3,010**	2,878	**705**	711

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the nine months ended 30 September 2016 is based on the unaudited profit attributable to owners of the Company of approximately RMB15,056,000 (2015: RMB14,172,000) and the weighted average number of shares in issue of 830,000,000 (2015: 830,000,000) during the period.

The Company has no dilutive potential shares in issue during the period (2015: Nil).

8. RESERVES

	Share capital RMB'000 Unaudited	Share premium and capital reserves RMB'000 Unaudited	Statutory surplus reserve RMB'000 Unaudited	Other reserves RMB'000 Unaudited	Retained profits RMB'000 Unaudited	Attributable to owners of the Company RMB'000 Unaudited
As at 1 January 2015	83,000	97,252	28,085	(48,289)	146,910	306,958
Profit and total comprehensive income for the period	—	—	—	—	14,172	14,172
As at 30 September 2015	83,000	97,252	28,085	(48,289)	161,082	321,130

	Share capital RMB'000 Unaudited	**Share premium and capital reserves RMB'000 Unaudited**	**Statutory surplus reserve RMB'000 Unaudited**	**Other reserves RMB'000 Unaudited**	**Retained profits RMB'000 Unaudited**	**Attributable to owners of the Company RMB'000 Unaudited**
As at 1 January 2016	**83,000**	**97,252**	**30,003**	**(48,289)**	**166,985**	**328,951**
Profit and total comprehensive income for the period	**—**	**—**	**—**	**—**	**15,056**	**15,056**
As at 30 September 2016	**83,000**	**97,252**	**30,003**	**(48,289)**	**182,041**	**344,007**

9. DIVIDEND

The Board does not recommend the payment of a quarterly dividend for the nine months ended 30 September 2016 (2015: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the nine months ended 30 September 2016 (the "Period under Review"), the Group achieved a turnover of approximately RMB291,157,000 (2015: RMB230,344,000), representing an increase of approximately 26% over the same period last year. During the period, profit attributable to the shareholders was approximately RMB15,056,000 (2015: RMB14,172,000), representing an increase of approximately 6% over the same period last year. Earnings per share increased by approximately 6% to RMB1.81 cents (2015: RMB1.71 cents).

The increase in turnover was attributable to the continuous state-wide integration of media resources based on customers' demand by the Group and the constant enhancement of the terminal dissemination business.

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 62.55% (2015: 51.6%), 35.67% (2015: 33.26%), 1.73% (2015: 10.7%) and 0.05% (2015: 4.44%), respectively, of the Group's total turnover. The Board does not recommend the payment of a quarterly dividend for the nine months ended 30 September 2016 (2015: nil).

MEDIA DISSEMINATION BUSINESS

During the Period under Review, the Group's outdoor advertising media dissemination business recorded a turnover of approximately RMB182,135,000 (2015: RMB118,853,000), representing an increase of approximately 53% over the same period last year and accounting for 62.55% of the Group's total turnover.

The Group aims to create an O2O smart-media operation platform, apart from having outdoor media dissemination resources of approximately 150,000 square metres, and providing one-stop advertising service covering integrated marketing communication consultation, media publication strategy consultation, advertising design and production, outdoor mass media dissemination and monitoring and evaluation, the Group, through social media first initiated in the PRC, also assists client to effectively consolidate offline resources. Currently, the media owned by the Group is primarily in the forms of social 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 social media initiated in the PRC 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 RMB59,200,000 (2015: RMB52,530,000) and approximately RMB8,180,000 (2015: RMB8,120,000) respectively. Currently, approximately 8,000 social media 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, Hangzhou and Shenyang, which contributed a total of approximately 28,000 square metres of outdoor media dissemination resources to the Group. At the same time, due to the high viscosity and high interaction of social media, through continuously creating social soft culture and effective operation, the Group can realise the high accuracy of media dissemination and assist clients to effectively consolidate offline channels.

Meanwhile, the social media continued to focus on expansion into sectors such as finance, tourism, telecommunications and fast-moving consumer goods, etc and maintained its partnerships with various leading brands such as China Mobile, China Telecom, New City Real Estate, Construction Bank, China Unionpay, Shenzhen Media Group, Huangshan Teavel and Jiuhuashan Scenic Area, etc.

Currently, the Group, in order to establish O2O smart-media operation platform, has fully occupied the regions for outdoor media with self-built outdoor media including billboards on expressways, billboards in urban areas and LED screens. The Group owns large full color outdoor 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

Currently, the Group, with an aim to make use of the abundant internet resources accumulated over the years, built up an ecosphere of "living together, living mutually and re-born (共生、互生、再生)". Thus, the core business of terminal dissemination, apart from the establishment of terminal SI system, targeted signage system, terminal POP system, terminal props making, large events, exhibition display and commercial display, squarely consolidated the supply chain and cooperation parties, fostering the concept of Dahe + platform. During the Period under Review, the Group recorded a turnover of approximately RMB103,848,000 (2015: RMB76,604,000), representing an increase of approximately 36% over the same period last year and accounting for approximately 35.67% of the Group's total turnover. "Terminal Dissemination" continued to serve our existing offline customers of well-known brands such as Wuzhen Travel, Nike, JDB, COFCO Group, Yihai Kerry, CR Vanguard, Li Ning, LEE, KFC, Beiqi Foton Motor Daimler, Samsung, Haohaizi, Kubota, GAP, Orient

Securities, etc.. The Group continuously conducted client portfolio upgrade, extended to Internet giant enterprises such as Alibaba, Microsoft, Didi Dache, Meizu and, with the offline channel advantage of the Group, assisted client to realise online and offline breakthroughs.

Alibaba has planned to invest in RMB10 billion to establish new Taobao rural project in the next few years. As the service provider of Alibaba, the Group has assisted in the store image design and decoration services for realising nearly 20,000 Alibaba Taobao rural project stores. The Group was awarded the grand award of Supplier Partners of Alibaba during the year and became one of the three most excellent service providers serving Alibaba.

During the period, the Group continued to serve Microsoft and completed the design, development and production of Microsoft tools which have now been applied in numerous experience stores in the country.

The smooth implementation of the projects above created a successful precedent for Dahe to become the offline channel consolidation operation platform and to provide offline channel construction for other Internet giants.

MEDIA PRODUCTION BUSINESS AND ART TRADING BUSINESS

During the Period under Review, the turnover of the Group's media production business was approximately RMB5,026,000 (2015: RMB24,670,000), representing a decrease of approximately 80% over the same period last year and accounting for approximately 1.73% of the Group's total turnover, and the decrease of the turnover of media production business was mainly due to the disposal of Nanjing Dahe Colour Printing Co., Ltd. in July 2015, which reduced the turnover of the production business of approximately RMB18 million. The disposal of Nanjing Dahe Colour Printing Co., Ltd. aimed to increase the working capital of the Group with a focus on the development of the media dissemination and terminal dissemination businesses. Therefore, although the disposal reduced part of the business, the impact on the overall profit of the Group was limited.

During the period, the turnover of the Group's art trading was approximately RMB148,000 (2015: RMB10,217,000), representing a decrease of approximately 98% when compared with the same period of last year and accounting for approximately 0.05% 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.

BUSINESS DEVELOPMENT

During the Period under Review, the Group aimed to build up an O2O Dahe+ ecosphere of "living together, living mutually and re-born (共生、互生、再生)". The Group actively optimized and changed the customer portfolio to achieve transformation of customer type from offline to online and from traditional industries to internet industry and established strategic cooperation with various companies such as Microsoft, Alibaba and Didi Dache. In the coming few years, Alibaba would invest RMB10 billion to establish the new Taobao rural project and plan to realise the establishment of 100,000 Taobao rural service stations. The Group would assist it to complete establishment of offline channels and provide store image design and decorative services to over half of Taobao rural project stores. In response to Didi Dache's future plan to implement marketing strategy based on scenario setting, the Group would, based on its abundant offline channels resources accumulated over the years, assist it in the construction of marketing channels. At the same time, it would actively complement the expansion strategy of Didi Dache to progressively complete the design and production of the signage and material for Didi Dache project. The Group also actively cooperated with Meizu's product upgrade strategy and completed various home product release conferences and brand image promotions. The smooth progress of the above projects will promote the Group to realise the change from single project service to smart-media platform strategic cooperation, and transform from traditional sourcing services to building a "living together, living mutually and re-born (共生、互生、再生)" relationship for the establishment of O2O Dahe+ ecosphere.

AWARDS AND HONOURS

On 9 January 2016, Mr. Huang Hongxing, the chief executive officer of the Group, was appointed as the deputy director to the fourth Standing Committee of the Outdoor Advertising Sub-committee of China Advertising Association.

On 27 September 2016, Mr. Huang Hongxing, the chief executive officer of the Group, was appointed as the vice chairman of China Advertising Association.

DAHE GROUP

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

In June 2016, the Group was awarded the "Famous Brands of the Service Sector in Jiangsu (江蘇服務業名牌)" by Jiangsu Promotion Commission for Famous Brand Strategy (江蘇省名牌戰略推進委員會).

OUTLOOK

In order to promote the development of the culture industry, the Ministry of Culture of the PRC made proactive planning for the innovative development of the culture industry in order to promote the optimization and upgrading of the structure of culture industry, optimize the development layout of regional culture industry, develop and increase the market size of culture industry, expand and introduce the culture-related spending and encourage and introduce social capital investment in culture industry, all of which will further promote the development of culture industry actively.

Looking forward, the Group will continue to integrate resources and optimize the customer structure, actively expand its business and improve its operation process in order to achieve the transformation of customer type from offline to online and from traditional industries to internet industry. Based on the strong foundation of the traditional industry and by making use of long-accumulated offline channel resources, the Group will continuously build up relationships with commercial giants such as Alibaba, Microsoft, Didi Dache and Meizu, etc., formulate platform strategy, develop wider and deeper, and use successful precedents of Internet-channel construction as an entry point to the market, so as to lay the good foundation of becoming the largest O2O smart-media operation platform nationwide in the future.

FINANCIAL REVIEW

TURNOVER

During the Period under Review, the Group's turnover was approximately RMB291,157,000 (2015: RMB230,344,000), representing an increase of approximately 26% as compared with the corresponding period of 2015, mainly due to the continuous integration of the media resources nationwide based on clients' needs and the increasing improvement of terminal dissemination business.

GROSS PROFIT

During the Period under Review, gross profit margin was approximately 26.9%, representing a decrease of approximately 11.7% when compared with 38.6% for the corresponding period of 2015, mainly due to the increase in engagement of some media agencies by the Group in order to integrate the scattered media resources and therefore to achieve certain scale effect.

DISTRIBUTION COSTS

During the Period under Review, distribution costs increased by 5% as compared with the corresponding period of 2015, mainly due to the increase in salary costs of the sales force.

ADMINISTRATION EXPENSES

During the Period under Review, administration expenses decreased by 28% as compared with the corresponding period of 2015.

FINANCIAL EXPENSES

During the Period under Review, financial expenses were approximately RMB15,668,000 (2015: RMB16,781,000), representing a decrease of 6% as compared with the corresponding period of 2015, mainly due to the decrease in loan interest rate.

DIVIDENDS

The Board does not recommend distribution of a quarterly dividend for the nine months ended 30 September 2016 (2015: nil).

FUTURE MAJOR INVESTMENT PLANS AND EXPECTED SOURCE OF FUNDS

The Group will continue to integrate the existing operations, at the same time identify new business opportunities which may supplement or strengthen the existing operations. As at 30 September 2016, the Group has not yet 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 30 September 2016, net current asset was approximately RMB230,630,000 (As at 31 December 2015: approximately RMB186,710,000).

As at 30 September 2016, bank balance and cash and pledged bank deposit held by the Group amounted to approximately RMB80,860,000, all of which were denominated in RMB (31 December 2015: RMB117,050,000). The Group's bank borrowings amounted to approximately RMB391,100,000 (31 December 2015: RMB336,500,000) and finance lease payable amounted to approximately RMB10,150,000 (31 December 2015: RMB15,300,000). Net debt-to-adjusted capital ratio was approximately 43%, being the percentage of bank loans and finance lease payable less bank balances and cash and pledged bank deposits over the sum of equity attributable to owners of the Company and net debt of approximately RMB745,260,000 (31 December 2015: RMB563,670,000) (31 December 2015: net debt-to-adjusted capital ratio was approximately 41.6%).

As at 30 September 2016, the Group's bank borrowings which were repayable within one year amounted to approximately RMB391,100,000 (31 December 2015: RMB336,500,000). As at 30 September 2016, approximately RMB212,100,000 (31 December 2015: RMB201,500,000) of the Group's bank borrowings bore a fixed interest rate ranging from 4.35% to 7.5% (31 December 2015: 5.0% to 7.5%), while the rest bore a floating interest rate ranging from 4.35% to 4.57% (31 December 2015: 5.4% to 5.6%).

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 (Corresponding period in 2015: Nil). The Group has not entered into any foreign exchange hedging arrangements to manage the risk of foreign exchange.

IMPORTANT INVESTMENT

During the Period under Review, the Group has no increase in important investment (Corresponding period in 2015: Nil).

MATERIAL ACQUISITION AND DISPOSAL

During the Period under Review, the Group had no material acquisition and disposal (Corresponding period in 2015: Disposal of 90% equity of Nanjing Dahe Colour Printing Co., Ltd).

STAFF

As at 30 September 2016, the Group has about 490 (30 September 2015: 520) full-time staff. During the Period under Review, cost of staff was approximately RMB28,030,000 (Corresponding period in 2015: approximately RMB30,650,000). The Group regularly provided training and development programs to the staff. Certain Directors, management and core employees of the Group were invited to participate in the Share Purchase Scheme. To reward the management and core staff of the Group for their contribution and encourage and maintain the long-term service relationship with the management, on 30 October 2015, the Company adopted the Share Purchase Scheme whereby the eligible participants of the Share Purchase Scheme set up and held Shengshi Huacheng as the shareholding platform for the Share Purchase Scheme. For details of the Share Purchase Scheme, please refer to the disclosure in "Share Purchase Scheme" below.

CONTINGENT LIABILITIES

As at 30 September 2016, the Group has no material contingent liabilities (30 September 2015: Nil).

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.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

During the Period under Review, the Company has continued to adopt a set of transaction standards in respect of securities transactions by Directors and supervisors of the Company (the "Supervisors"), which are 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 the Directors and Supervisors, and is not aware of any violation of the transaction standards and the standard code in respect of securities transactions by Directors and Supervisors as required.

A. DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

As at 30 September 2016, the interests and short positions of Directors, chief executives of the Company and Supervisors (as if the requirements applicable to Directors under the Securities and Futures Ordinance (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 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 are 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	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
Directors				
He Chaobing	Interest of a controlled corporation *(Note 2)*	393,950,000 Domestic Shares (L)	67.92%	47.46%
Zhang Ge	Beneficial owner	71,800,000 Domestic Shares (L)	12.37%	8.66%
Huang Hongxing	Beneficial owner and interest of a controlled corporation *(Note 3 and 4)*	54,050,000 Domestic Shares (L)	9.32%	6.51%
	Interest deemed under sections 317(1) (a) and 318 of the SFO *(Note 5)*	10,200,000 Domestic Shares (L)	1.76%	1.23%
He Lianyi	Beneficial owner	6,400,000 Domestic Shares (L)	1.10%	0.77%
	Beneficial owner and interest deemed under sections 317(1) (a) and 318 of the SFO *(Note 4 and 5)*	57,850,000 Domestic Shares (L)	9.98%	6.97%

Name of Director/ Supervisor	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
Supervisors				
Wang Mingmei	Beneficial owner	3,800,000 Domestic Shares (L)	0.66%	0.46%
	Beneficial owner and interest deemed under sections 317(1)(a) and 318 of the SFO *(Note 4 and 5)*	60,450,000 Domestic Shares (L)	10.42%	7.28%
Xue Guiyu	Beneficial owner and interest deemed under sections 317(1)(a) and 318 of the SFO *(Note 4 and 5)*	64,250,000 Domestic Shares (L)	11.08%	7.74%

Notes:

1. The letters "L" denote a long position in the share capital.

2. 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.

3. The interests in the domestic shares were directly held through Nanjing Shengshi Huacheng Investment Management Joint Enterprise (limited partnership) ("Shengshi Huacheng"). Pursuant to the Share Purchase Scheme adopted by the Company, Shengshi Huacheng is the platform for acquiring, holding or selling the Scheme Shares under the Share Purchase Scheme. Mr. Huang Hongxing is the general partner of Shengshi Huacheng and is deemed to be interested in the shares in which Shengshi Huacheng is interested.

4. As at 30 September 2016, each of Mr. Huang Hongxing, Mr. He Lianyi, Ms. Wang Mingmei and Mr. Xue Guiren held approximately 23.755%, 11.5%, 0.5% and 1%, respectively, of the equity interests in Shengshi Huacheng, and were interested in such Domestic Shares represented by their respective shares in Shengshi Huacheng in the capacity of beneficial owner.

5. Pursuant to sections 317(1) (a) and 318 of the SFO, each partner of Shengshi Huacheng was deemed to be interested in (1) the shares of the Company owned by other partners of Shengshi Huacheng through the shares they held in Shengshi Huacheng; and (2) the shares of the Company owned by other partners of Shengshi Huacheng other than those owned through the shares they held in Shengshi Huacheng. In respect of item (2) above, Mr. Huang Hongxing was deemed to be interested in 6,400,000 and 3,800,000 Domestic Shares respectively and directly held by Mr. He Lianyi and Ms. Wang Mingmei; Mr. He Lianyi was deemed to be interested in 3,800,000 Domestic Shares directly held by Ms. Wang Mingmei; Ms. Wang Mingmei was deemed to be interested in 6,400,000 Domestic Shares directly held by Mr. He Lianyi and Mr. Xue Guiyu was deemed to be interested in 6,400,000 and 3,800,000 Domestic Shares respectively and directly held by Mr. He Lianyi and Ms. Wang Mingmei.

(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	393,950,000 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 executives of the Company is aware of any other Directors, chief executives or Supervisors of the Company who had any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporation as at 30 September 2016.

B. INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 September 2016, so far as is known to the Directors or chief executives of the Company, the following persons (other than Directors, chief executives and Supervisors of the Company) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company 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
DIHG	Beneficial owner	393,950,000 Domestic Shares (L)	67.92%	47.46%
Yan Fen	Interest of spouse *(Note 2)*	393,950,000 Domestic Shares (L)	67.92%	47.46%
Partners of Shengshi Huacheng	Beneficial owner and interest deemed under sections 317(1)(a) and 318 of the SFO	64,250,000 Domestic Shares (L) *(Note 3)*	11.08%	7.74%
Wang Qinghua	Beneficial owner	50,000,000 Domestic Shares (L)	8.62%	6.02%

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.

3. The interests in 54,050,000 Domestic Shares were directly held through Shengshi Huacheng, and Shengshi Huacheng was established by the Eligible Participants of the Share Purchase Scheme with their own capitals as the platform for acquiring, holding or selling the Scheme Shares under the Share Purchase Scheme. As at 30 September 2016, Shengshi Huacheng was held by 46 Eligible Participants (namely Huang Hongxing, Guan Dawei, Zhang Long, Jin Liping, Liu Dehui, Ma Rongfang, Lu Wei, Zhang Jiamei, Yu Lingling, Kan Chao, Chen Weixin, Lu Yin, Ding Hui, Xu Jiongjiong, Tang Baolian, Gu Cheng, Liu Zhihong, Chen Guo, Ju Le, Ding Jianhong, Kong Zhaoli, Xu Rong, Wang Mingmei, Zhang Zhijun, Wang Di, Yang Bo, Tao Jie, Ren Liping, Shen Junyan, Ni Lijia, Bi Yiyun, Wang Jia, Wang Jian, Wang Yanfeng, Gao Huajun, Zhong Lei, Cao Ling, Fan Wenjun, Shang Ling, Hu Li, He Lianyi, Xue Guiyu, Zhu Lianghong, Lu Xiaolin, Li Huizhen and Liu Bin) of the Share Purchase Scheme. In addition to being interested in such Domestic Shares represented by their respective shares in Shengshi Huacheng in the capacity of beneficial owner, pursuant to sections 317(1) (a) and 318 of the SFO, each partner of Shengshi Huacheng was deemed to be interested in (1) the shares of the Company owned by other partners of Shengshi Huacheng through the shares they held in Shengshi Huacheng; and (2) the shares of the Company owned by other partners of Shengshi Huacheng other than those owned through the shares they held in Shengshi Huacheng. In respect of item (2) above, each partner of Shengshi Huacheng was deemed to be interested in 6,400,000 and 3,800,000 Domestic Shares respectively and directly held by Mr. He Lianyi and Ms. Wang Mingmei. As at 30 September 2016, Mr. Huang Hongxing and Mr. He Lianyi were directors of the Company and Ms. Wang Mingmei and Mr. Xue Guiyu were supervisors of the Company, for details of the share interests they held, please refer to the disclosure in "Interests of Directors, Chief Executives and Supervisors" above.

Save as disclosed above, as at 30 September 2016, so far as is known to the Directors or chief executives of the Company, no other person (other than Directors, chief executives and Supervisors of the Company) had an interest or a short position in any shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE PURCHASE SCHEME

In order to reward the existing management of the Group for their contributions and to encourage and maintain a long-term service relationship between the Company and the management, on 30 October 2015, the Company adopted the Management Share Purchase Scheme (the "Share Purchase Scheme"). According to the Share Purchase Scheme, Shengshi Huacheng, a limited partnership established for the Share Purchase Scheme and owned by the eligible participants of the Share Purchase Scheme (the "Eligible Participants"), purchased the shares in the Company (the "Scheme Share") from Dahe Investment and Chenwei Ink Factory at a price made with reference to the net asset value per share as set out in the 2014 annual report of the Company, i.e. HK$0.462 per Scheme Share.

The purpose of the Share Purchase Scheme is to allow the Group to share its future value and growth with the Eligible Participants and align the personal interests of the Eligible Participants with those of the Company and its shareholders, which will facilitate the Group's future success and development.

The operation of the Share Purchase Scheme is as follows:

- The Eligible Participants fund the establishment of Shengshi Huacheng with their own capitals as the platform for acquiring, holding and selling the Scheme Shares. Shengshi Huacheng is a limited partnership established by 48 Eligible Participants in accordance with the laws of the PRC and with their own funds in 2015, in order to directly acquire and hold the Scheme Shares. Certain Eligible Participants are the directors or supervisors of the Company and its subsidiaries.

- With the capital contributed by the Eligible Participants, on 25 November 2015, Shengshi Huacheng entered into formal share transfer agreement with Dahe Investment and Chenwei Ink Factory to purchase 24,050,000 Shares and 30,000,000 Shares from Dahe Investment and Chenwei Ink Factory respectively as the Scheme Shares, at a price of HK$0.462 per Scheme Share, representing approximately 6.51% of the total issued share capital of the Company in total.

- After Shengshi Huacheng completed the acquisitions of the Scheme Shares, it becomes the registered holder of the Scheme Shares and holds the Scheme Shares on behalf of its partners (i.e. the Eligible Participants). And the Eligible Participants will indirectly acquire and jointly and beneficially hold the Scheme Shares through directly holding Shengshi Huacheng.

- After the expiration of the lock-up period and subject to the PRC government's policy of restricting the liquidity of the Domestic Shares, upon the approval of the Eligible Participants representing more than two thirds of the capital contributions, each year Shengshi Huacheng can sell freely not more than one third of the Scheme Shares it holds under the Share Purchase Scheme, and the profits arising thereof will be allocated to the Eligible Participants based on their respective shareholdings in Shengshi Huacheng. Shengshi Huacheng will also distribute other dividends and proceeds from the Scheme Shares (if any) to the Eligible Participants from time to time based on their respective shareholdings in Shengshi Huacheng.

- If the Eligible Participants terminate their employment relationship with the Group, the Eligible Participants leaving office shall transfer all the shares they hold in Shengshi Huacheng to other Eligible Participants. In 2016, there were a total of 46 Eligible Participants under the Share Purchase Scheme.

- Shengshi Huacheng is managed by Mr. Huang Hongxing, a general partner. Pursuant to Shengshi Huacheng's partnership contract, the general partner is responsible for managing the daily operations of Shengshi Huacheng, except some material matters (including the sale and transfer of the Scheme Shares held under the Share Purchase Scheme) which will be subject to approvals from partners who made more than two thirds of the capital contributions. The Group will not involve in the management and daily operations of Shengshi Huacheng and the management and daily operations of Shengshi Huacheng will be independent of the Group.
- The Scheme Shares will rank pari passu in all respects with all other domestic Shares in issue and with each other and have the same rights, including voting rights and the right to receive dividends.

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 has or may have any conflicts of interest with the Group.

CORPORATE GOVERNANCE

During the Period, except for the matters below, none of the Directors of the Company was aware of any information which reasonably indicates that there had been non-compliance with the code provisions as set out in the Corporate Governance Code (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 until the Company found a suitable candidate. 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;
2. The Company did not arrange 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 monitoring 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; and

3. During the Period under Review, as it took time to obtain quotations from service providers of internal audit functions, the Company had only been preparing for but yet to complete the establishment of comprehensive internal audit functions. The Company will actively keep up with relevant matters and expects to complete the establishment of internal audit functions in 2016 by engaging external service provider to assist the Company, in order to ensure the effective compliance with the risk management and internal control code provisions of the Code by the Company.

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 management systems 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 third quarterly report in accordance with the GEM Listing Rules.

By Order of the Board
He Chaobing
Chairman

Nanjing, the PRC
9 November 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*