

2017

INTERIM
REPORT



大賀傳媒股份有限公司 DAHE MEDIA CO., LTD.*

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

* 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 traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 six months ended 30 June 2017, the Group realised a turnover of approximately RMB192,905,000 (2016: RMB154,783,000), representing an increase of approximately 25% over the same period of 2016.
- Gross turnover of the Group for the six months ended 30 June 2017 was mainly from media dissemination, terminal dissemination service, media production and art trading, representing approximately 42.64% (2016: 54.56%), 56.10% (2016: 42.56%), 1.23% (2016: 2.78%) and 0.03% (2016: 0.1%) of the gross turnover, respectively.
- For the six months ended 30 June 2017, profit attributable to the owners of the Company was approximately RMB12,138,000 (2016: RMB11,915,000), representing an increase of approximately 2% over the same period of 2016.
- Earnings per share were approximately RMB1.46 cent (2016: RMB1.44 cent).
- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: nil).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The board (the “Board”) of directors (the “Directors”) 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 six months ended 30 June 2017 (the “Period under Review”), together with the comparative figures for the corresponding period in 2016 as follows, which have been reviewed by the audit committee of the Company:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	NOTES	Six months ended 30 June	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Revenue	3	192,905	154,783
Cost of sales		(139,043)	(101,843)
Gross profit		53,862	52,940
Other income, expenses and other gains and losses	4	883	4,921
Selling and distribution expenses		(14,611)	(16,754)
Administrative expenses		(12,405)	(10,778)
Research and development costs		(7,820)	(5,325)
Finance costs	5	(5,711)	(10,856)
Profit before tax		14,198	14,148
Income tax expenses	6	(2,110)	(2,305)
Profit for the year	7	12,088	11,843
Profit (loss) for the year attributable to:			
Owners of the Company		12,138	11,915
Non-controlling interests		(50)	(72)
		12,088	11,843
Earnings per share			
– Basic (RMB per share)	9	1.46	1.44

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
<i>Non-current assets</i>			
Property, plant and equipment	10	92,275	104,557
Prepaid lease payments		1,918	1,946
Investment properties		50,512	50,512
Goodwill		15,679	15,679
Intangible assets		1,084	1,196
Rental deposits		3,243	3,404
Available-for-sale investment		52	52
		<hr/>	<hr/>
		164,763	177,346
<i>Current assets</i>			
Inventories		36,440	36,437
Prepaid lease payments		57	57
Trade and bills receivables	11	313,686	408,929
Other receivables and prepayments	11	173,320	135,121
Amount due from the ultimate holding company		2,496	7,964
Amounts due from fellow subsidiaries		21,638	24,688
Amount due from a related company		644	245
Pledged bank deposits		20,200	40,200
Bank balances and cash		49,849	40,995
		<hr/>	<hr/>
		618,330	694,636
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	NOTES	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
<i>Current liabilities</i>			
Trade payables	12	102,369	81,596
Other payables, deposits received and accruals	12	4,086	5,522
Deferred advertising income		29,904	17,540
Other tax payables		3,895	4,072
Amounts due to fellow subsidiaries		345	135
Tax liabilities		4,996	8,129
Borrowings	13	259,997	387,999
		<u>405,592</u>	<u>504,993</u>
Net current assets		<u>212,738</u>	<u>189,643</u>
Total assets less current liabilities		<u>377,501</u>	<u>366,989</u>
<i>Non-current liabilities</i>			
Deferred tax liabilities		5,365	5,365
Borrowings		—	1,576
		<u>5,365</u>	<u>6,941</u>
Net assets		<u>372,136</u>	<u>360,048</u>
<i>Capital and reserves</i>			
Share capital		83,000	83,000
Reserves		289,274	277,136
Equity attributable to owners of the Company		<u>372,274</u>	<u>360,136</u>
Non-controlling interests		(138)	(88)
Total equity		<u>372,136</u>	<u>360,048</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium and capital reserve	Statutory surplus reserve	Other reserve	Retained profits	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(Note a)	(Note a)	(Note c)	(Note b)				
At 1 January 2017	83,000	97,252	33,226	(48,289)	194,947	360,136	(88)	360,048
Profit (loss) for the year	—	—	—	—	12,138	12,138	(50)	12,088
At 30 June 2017	83,000	97,252	33,226	(48,289)	207,085	372,274	(138)	372,136
At 1 January 2016	83,000	97,252	30,003	(48,289)	166,985	328,951	406	329,357
Profit (loss) for the year	—	—	—	—	11,915	11,915	(72)	11,843
At 30 June 2016	83,000	97,252	30,003	(48,289)	178,900	340,866	334	341,200

Note a: The balance included (1) share premium of RMB95,745,000 arising from the issue of shares at a price in excess of par value per share; and (2) revaluation gain of RMB1,507,000 arising upon the transfer of owner-occupied properties to investment properties in previous years.

Note b: On 30 May 2014, the Company entered into a sale and purchase agreement with the ultimate holding company of the Company to acquire 49% equity interests in 南京千禧安康國際傳媒廣告有限公司(translated as Nanjing Millennium Ankang International Media Co., Ltd. for identification purpose only) (“Ankang International”) from the ultimate holding company at a consideration of approximately RMB63,750,000. The balance represented the excess of the net assets of the subsidiary acquired over the consideration paid was recognised as a decrease in non-controlling interests of approximately RMB48,289,000.

Note c: In accordance with the relevant PRC regulations and the articles of association of the Group, the Group shall appropriate 10% of their respective annual statutory net profits (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of such reserve reaches 50% of the share capital of the Group, any further appropriations are optional. The statutory surplus reserve can be utilised to offset prior years' losses or to issue bonus shares or registered capital, where appropriate. However, such statutory surplus reserve must be maintained at a minimum of 25% of the share capital or registered capital of the Group, where appropriate, after such issuance.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	120,476	(63,635)
INVESTING ACTIVITIES		
Interest received	280	403
Proceeds from disposal of property, plant and equipment	167	12
Purchase of property, plant and equipment	(2,345)	(239)
Placement of pledged bank deposits	—	(40,000)
Withdrawal of pledged bank deposits	20,000	50,000
Proceeds from disposal of a subsidiary	—	600
Received from (advance to) the ultimate holding company	5,468	(4,965)
NET CASH USED IN INVESTING ACTIVITIES	23,570	5,811

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
FINANCING ACTIVITIES		
Bank borrowings raised	127,000	201,000
Endorsed bill borrowings raised	—	110,000
Repayment of bank borrowings	(183,094)	(171,500)
Repayment to a financial institution	(3,484)	(3,846)
Repayment of endorsed bills borrowings	(70,000)	(90,000)
Interest paid	(5,614)	(10,526)
	<hr/>	<hr/>
NET CASH FROM FINANCING ACTIVITIES	(135,192)	35,128
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	8,854	(22,696)
Cash and cash equivalents at 1 January	40,995	117,050
	<hr/>	<hr/>
Cash and cash equivalents at 30 June, representing bank balances and cash	49,849	94,354
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Dahe Media Co., Ltd. is a joint stock company established in the People's Republic of China (the "PRC") with limited liability and its H shares were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 November 2003. The address of its registered office and principal place of business are No.18 Jialingjiang East Street, Jianye District, Nanjing, the PRC. The immediate and ultimate holding company of the Group is 大賀投資控股集團有限公司 (translated as Dahe Investment Holdings Group, Co., Ltd. for identification purpose only) ("DIHG" or "Dahe Investment"), which is a limited liability company established in the PRC.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the media dissemination, media production, terminal dissemination and art trading in the PRC.

The Group's condensed consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules of the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountant ("HKICPA") that are mandatorily effective for the current interim period.

The application of the above amendments to HKFRS in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT REVENUE AND RESULTS

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive Directors and chief executive officer, being the chief operating decision maker (the "CODM"), in order to allocate resources to the segments and to assess their performance. The Group's operating and reportable segments are as follows:

- Media dissemination
- Media production
- Terminal dissemination
- Art Trading

Segment revenue and results

	Media dissemination RMB'000	Media production RMB'000	Terminal dissemination RMB'000	Art trading RMB'000	Total RMB'000
For the six months ended 30 June 2017 (unaudited)					
Segment revenue:					
Sales to external customers	82,260	2,363	108,223	59	192,905
Reportable segment results	22,739	174	30,940	9	53,862
Other income, expenses and other gains and losses					883
Selling and distribution expenses					(14,611)
Administrative expenses					(12,405)
Research and development costs					(7,820)
Finance costs					(5,711)
Profit before tax					14,198
For the six months ended 30 June 2016 (unaudited)					
Segment revenue:					
Sales to external customers	84,454	4,298	65,883	148	154,783
Reportable segment results	36,405	540	15,950	45	52,940
Other income, expenses and other gains and losses					4,921
Selling and distribution expenses					(16,754)
Administrative expenses					(10,778)
Research and development costs					(5,325)
Finance costs					(10,856)
Profit before tax					14,148

4. OTHER INCOME, EXPENSES AND OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Other income and expenses		
Government grants (note a)	152	3,485
Interest income	280	403
Rental income	520	1,175
Others	(95)	(115)
	<hr/>	<hr/>
Total other income and expenses, net	857	4,948
	<hr/>	<hr/>
Other gains and losses		
Gain (loss) on disposal of property, plant and equipment	26	(27)
	<hr/>	<hr/>
Total other gains and loss, net	26	(27)
	<hr/>	<hr/>
Total	883	4,921
	<hr/> <hr/>	<hr/> <hr/>

(Note a):

During the year, the relevant government authority granted one-off unconditional subsidies to the Group amounting to RMB152,000 (six months ended 30 June 2016: RMB3,485,000) in relation to support the Group's development in the local district with no future related costs, which were recognised in the profit or loss in the year in which the subsidies were received.

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on:		
– bank borrowings	5,614	8,141
– endorsed bills borrowings	—	2,385
– bank charges	97	330
	<u>5,711</u>	<u>10,856</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT"):		
Current period	2,003	2,308
Under (over) provision in prior periods	107	(3)
	<u>2,110</u>	<u>2,305</u>

Pursuant to the relevant PRC EIT laws, subsidiaries of the Group in the PRC are subject to the PRC EIT at the rate of 25% (six months ended 30 June 2016: 25%), except for the holding company Dahe Media Co., Ltd. which was granted "High-tech enterprise" since December 2013 and further extended in November 2016 and can be applied a preferential income tax rate of 15% effective for three years from 2016 to 2018. Accordingly, the tax rate of the Company is 15% for both period.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Impairment losses recognised on trade receivables	1,359	1,243
Research and development costs	7,820	5,325
Depreciation of property, plant and equipment	12,986	10,474
Amortisation of prepaid lease payments	28	28
Amortisation of other intangible assets	112	112
Gain (loss) on disposals of property, plant and equipment	26	(27)
	<u> </u>	<u> </u>

8. DIVIDENDS

The Directors do not recommend the payment of any dividend for both periods.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to the owners of the Company	12,138	11,915
	<u> </u>	<u> </u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	830,000	830,000
	<u> </u>	<u> </u>

No diluted earnings per share is presented for the period ended 30 June 2017 and 30 June 2016 as the Company did not have any potential ordinary shares outstanding.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the interim period, additions to property, plant and equipment amounted to RMB845,000 (unaudited) (six months ended 30 June 2016: RMB3,952,000 (unaudited)) were recorded for the purchase of vehicles and the leasehold improvement.

11. TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Trade receivables	478,119	571,704
Less: allowance for doubtful debts of trade receivables	(164,786)	(163,785)
	<hr/>	<hr/>
Bills receivables	313,333 353	407,919 1,010
	<hr/>	<hr/>
Total trade and bills receivables	313,686	408,929

The Group generally allows a credit period of 180 days (2016: 180 days). The ageing analysis of the Group's trade receivables, based on invoice date, at the end of respective reporting periods are as follows:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
0 - 90 days	81,707	130,559
91 to 180 days	15,918	76,380
181 to 365 days	132,012	101,693
1 to 2 years	83,696	58,593
Over 2 years	—	40,694
	<hr/>	<hr/>
	313,333	407,919

Other receivables and prepayments

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Prepaid rental for the outdoor advertising displays	171,759	133,517
Deposit for tendering	533	976
Other receivables	1,028	628
	<u>173,320</u>	<u>135,121</u>

12. TRADE PAYABLES, OTHER PAYABLES, DEPOSITS RECEIVED AND ACCURALS

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Trade payables	102,369	81,596
Deposits received	150	150
Payroll and welfare payables	1,697	1,852
Audit fee payables	1,249	1,220
Payables for the acquisition of property plant and equipment	—	1,500
Others	990	800
	<u>4,086</u>	<u>5,522</u>

The following is an ageing analysis of the Group's trade and bills payables based on the invoice date at the end of the reporting period:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
0 - 30 days	37,568	40,086
31 - 90 days	17,770	14,066
91 - 180 days	8,736	10,144
181 - 365 days	25,579	6,722
Over 365 days	12,716	10,578
	<u>102,369</u>	<u>81,596</u>

13. BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB127,000,000 (unaudited) (30 June 2016: RMB311,000,000 (unaudited)). The loans carry interest at fixed market rates of 4.35% - 7.5% and are repayable in instalments over a period of 3 years. The proceeds were used to finance the daily operation.

14. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Minimum lease payments paid under operating leases during the period/year	2,175	4,807

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within one year	2,645	3,249
In the second to fifth year inclusive	—	210
	<u>2,645</u>	<u>3,459</u>

The Group as lessor

At the end of the interim reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of investment properties:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within one year	520	1,790
In the second to fifth year inclusive	—	5,683
	<u>520</u>	<u>7,473</u>

15. RELATED PARTY TRANSACTIONS

During the period, other than those disclosed elsewhere in the condensed consolidated financial statements, the Group had the following significant transactions with related parties:

a) Transactions

Name of related company	Relationship	Nature of transaction	Six months ended 30 June	
			2017 RMB'000	2016 RMB'000
Dahe Investment	Holding company	Guarantee service (note 1)	—	100
Nanjing Dahe Decoration Co., Ltd. 南京大賀裝飾工程有限公司 ("Dahe Decoration")	Fellow subsidiary	Sales	707	—
		Rental income	120	120
		Endorsed bills borrowings	—	110,000

Note:

- During the year ended 31 December 2016, the Group has provided the financial guarantee to Dahe Investment in respect of its bank loans amounting to RMB15,000,000 for the period from 28 February 2015 to 28 February 2016. Pursuant to the master guarantee agreement signed on 20 May 2015, the Group will receive 4% of the guaranteed amount as the fee for the issue of guarantee, which is RMB100,000 for the six months ended 30 June 2016. As at the end of the reporting period, no guarantee was provided to Dahe Investment.

b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the period were as follows:

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Salaries and other benefits	612	603
Retirement benefits schemes contributions	78	73
	<u>690</u>	<u>676</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the six months ended 30 June 2017, the Group achieved a turnover of approximately RMB192,905,000 (2016: RMB154,783,000), representing an increase of approximately 25% over the same period last year. During the period, profit attributable to the shareholders was approximately RMB12,138,000 (2016: RMB11,915,000), representing an increase of approximately 2% over the same period last year. Earnings per share increased by 1% to RMB1.46 cent (2016: RMB1.44 cent).

The increase in turnover was mainly due to the stable improvement of the terminal dissemination business's turnover, since the Group continued to upgrade its client portfolio by using the offline resources accumulated over the years.

During the period, the revenue from outdoor advertising media dissemination business, terminal dissemination service, media production and art trading business accounted for approximately 42.64% (2016: 54.56%), 56.10% (2016: 42.56%), 1.22% (2016: 2.78%) and 0.03% (2016: 0.1%), respectively, of the Group's turnover. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: nil).

MEDIA DISSEMINATION BUSINESS

During the Period under Review, the Group's media dissemination business recorded a turnover of approximately RMB82,260,000 (2016: RMB84,454,000), representing a decrease of approximately 3% over the same period last year and accounting for 42.64% of the Group's total turnover.

With an aim to formulate O2O smart-media operation platform, apart from having outdoor media dissemination resources of approximately 150,000 square meters, and providing 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 Group, through community media first initiated in the PRC, also assists clients to effectively consolidate offline channels. Currently, the media owned by the Group is primarily in the 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 stable, with major customers from various industries such as fast-moving consumer goods, media, real estate, finance and tourism.

Currently, community media have been set up nationwide, targeting 9 million households of medium and high income in nearly 5,500 communities. 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. At the same time, due to the high viscosity and high interaction of community media, through continuously creating community soft culture and effective operation, the Group can realise the high accuracy of media and assist clients to effectively consolidate offline channels.

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.

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

Currently, the Group, with an aim to make use of the abundant internet resources accumulated over the years, built up an ecosystem of “living together, living mutually and re-born (共生、互生、再生)”. Thus, the core business of terminal dissemination, apart from including 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 party, fostering the concept of Dahe + platform. The Group recorded a turnover of approximately RMB108,223,000 (2016: RMB65,883,000), representing an increase of approximately 64% over the same period last year and accounting for approximately 56.10% of the Group’s total turnover. “Terminal Dissemination” continuously upgraded the client portfolio, and continued to win trust from the internet giant customers, such as Alibaba, Mobike, Microsoft, JD.com and Meituan.com, with highly competitive services. With the offline channel advantages, the Group assisted clients to realize online and offline breakthroughs, and continued to maintain sound cooperative relationship with our existing offline customers as well, such as Wuzhen Travel, Nike, COFCO Group, Yihai Kerry, CR Vanguard, Li Ning, LEE, Beiqi Foton Motor Daimler, Luxottica, Timberland and other well-known brands. The Group had also actively developed new customers and continued to expand its market share.

As the service provider of Alibaba, the Group fully coordinated with the Taobao rural expansion projects of Alibaba. During the period, it received orders successively and completed store image design and decoration services for nearly 2,000 Alibaba Taobao rural project stores.

The smooth implementation of the projects above created a successful precedent for the Group becoming the offline channel consolidation operation platform and 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 RMB2,363,000 (2016: RMB4,298,000), representing a decrease of approximately 45% over the same period last year and accounting for approximately 1.22% of the Group's total turnover.

During the period, the turnover of the Group's art trading was approximately RMB59,000 (2016: RMB148,000), representing a decrease of approximately 60% when compared with the same period of last year and accounting for approximately 0.03% 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 integrating 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, and established strategic cooperation with various companies such as Microsoft, Alibaba and JD.com. Save for continuously serving Alibaba for its Taobao rural projects, the Group keeps to expand its business volume and conducts ongoing cooperation with JD.com and Mobike. The Group has completed the storefront execution of JD.com efficiently, and finished the building and settling of the theme offices and first theme park of Mobike. The smooth progress of the above projects will promote the Group to realize the change from single project service to strategic cooperation on the smart-media operation platform, 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

DAHE GROUP

On 10 January 2017, the Group was rated as an AAA grade credit rating enterprise.

In the same month, upon the approval of China Advertising Association of Commerce, the Group became a member of Digital Marketing Committee of China Advertising Association of Commerce.

On 31 March, the Group was granted the “Collaborative Development Award (協同發展獎)” by the Alibaba Group.

In June, the Group was honored as among the Top 20 Integrated Media Companies in the Urban Areas of China (中國市區綜合媒體公司20強), and among the top 15 media companies in the business district (community) of China (中國商圈(社區)媒體公司15強).

PERSONALLY

On 25 May, Mr. He Chaobing, our Chairman, was elected as the vice chairman of the Municipal Federation of Industry and Commerce (市工商聯) at the first meeting of the executive committee of the 15th Congress of Nanjing Federation of Industry and Commerce (General Chamber of Commerce) (南京市工商業聯合會(總商會)).

In June, Mr. Huang Hongxing, our Chief Executive Officer, won the title of “Outstanding People in Year 2015 (15年優秀人物)”.

OUTLOOK

Outdoor media is a communication agent of the public place with its unique scarcity and exclusivity. Currently, with the construction of “Livable City and Smart City”, outdoor media plays an irreplaceable role in creating an interesting and user-friendly public place. With the increase in people’s outdoor activities, the scenarios features of the outdoor media gains popularity among tradition enterprises and the emerging small-medium enterprises.

Looking forward, the Group will continue to integrate product channels and suppliers, 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 deepening 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, JD.com and Meizu, etc., formulate platform strategy, and develop wider and deeper. As announced on 19 May 2017, the Company had submitted a formal application to the Stock Exchange of the proposed transfer of listing from GEM to the Main Board of the Stock Exchange. The application is currently under the vetting of the Stock Exchange. The Company hopes the proposed transfer of listing, if approved by the Stock Exchange, will enhance the corporate profile of our Company and provide increased visibility and recognition of our Group.

FINANCIAL REVIEW

TURNOVER

Turnover of the Group for the Period under Review was approximately RMB192,905,000 (2016: RMB154,783,000), increased by approximately 25% when compared with the corresponding period last year.

GROSS PROFIT

During the Period under Review, gross profit margin was approximately 27.9%, decreased by 6.3 percentage points when compared with 34.2% for the corresponding period last year.

SELLING AND DISTRIBUTION EXPENSES

During the Period under Review, selling and distribution expenses decreased by 13% when compared with the corresponding period last year.

ADMINISTRATION EXPENSES

During the Period under Review, administrative expenses increased by 15% when compared with the corresponding period last year.

FINANCE COSTS

During the Period under Review, finance costs were approximately RMB5,711,000 (2016: RMB10,856,000), decreased by 47% when compared with the corresponding period last year.

DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: 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 30 June 2017, the Group had not set up any specific plans.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has adopted a prudent financial management policy and maintained a strong financial status. As at 30 June 2017, net current asset was approximately RMB212,738,000 (31 December 2016: RMB189,643,000).

As at 30 June 2017, bank balances and cash and pledged bank deposit held by the Group amounted to approximately RMB70,049,000 (31 December 2016: RMB81,195,000), all of which were denominated in RMB. Borrowings amounted to approximately RMB259,997,000 (31 December 2016: RMB389,575,000). Net debt-to-adjusted capital ratio was approximately 34%, being the percentage of borrowings less bank balances and cash and pledged bank deposits over total equity attributable to owners of the Company plus net debt of approximately RMB562,220,000 (31 December 2016: RMB668,520,000) (31 December 2016: net debt-to-adjusted capital ratio was approximately 46%).

As at 30 June 2017, all of the Group's bank borrowings amounted to RMB259,997,000 (31 December 2016: RMB389,575,000) and were arranged at fixed interest rate ranging from 4.35% to 7.5% (31 December 2016: 4.35% to 7.5%).

FOREIGN EXCHANGE RISKS

As the Group's income and expense were denominated in RMB, there were no foreign exchange risks. Therefore, the Group has not entered into any foreign exchange hedging arrangement to manage the foreign exchange risks.

IMPORTANT INVESTMENT

During the Period under Review, the Group had no important investment.

IMPORTANT ACQUISITION AND DISPOSAL

During the Period under Review, the Group had no important acquisition and disposal.

STAFF

As at 30 June 2017, the Group had about 440 (2016: 440) full-time staff. During the Period under Review, staff cost was approximately RMB19,090,000 (2016: RMB19,190,000). 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.

REMUNERATION POLICY

The Group provides competitive salary and benefits to our employees. The amount of remuneration for the Directors or the employees is determined according to their relevant experience, responsibilities, work duties, years of service in the Group and their work performance. The non-monetary benefits are determined by the Board and are provided in the remuneration package of the Directors or the employees. Salary package is reviewed regularly each year.

EMPLOYEES' PENSION SCHEME

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

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2017, the bank deposits of the Group of approximately RMB20,200,000 (31 December 2016: RMB40,200,000) were pledged as security for the Group's borrowings.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no material contingent liabilities (31 December 2016: 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.

SHARE PURCHASE SCHEME

In order to, among others, encourage and maintain a long-term service relationship between the Company and the management, 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, on 30 October 2015, the Company adopted the Management Share Purchase Scheme (the "Share Purchase Scheme"). According to the Share Purchase Scheme, 南京盛世華城投資管理合夥企業 (有限合夥) (translated as Nanjing Shengshi Huacheng Investment Management Partnership Enterprise (Limited Partnership) for identification purpose only) ("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 a total of 54,050,000 shares in the Company (the "Scheme Shares") from Dahe Investment and 南京市浦口晨威油墨廠 (translated as Nanjing Pukou Chenwei Ink Factory for identification purpose only) 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 acquisition of the Scheme Shares was completed on 18 April 2016.

Shengshi Huacheng is the registered holder of the Scheme Shares, representing approximately 6.51% of the total issued share capital of the Company as at the date of adoption of the Share Purchase Scheme, and holds the Scheme Shares on behalf of its partners (i.e. the Eligible Participants). The Eligible Participants 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 of the Company, 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.

The Scheme Shares 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.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

During the Period under Review, the Company continued to adopt a set of transaction standards in respect of securities transactions by its Directors and Supervisors (the “Transaction Standards”), which is on terms no less exacting than that stipulated in Rules 5.46 to 5.67 of the GEM Listing Rules (the “Required Standards”). The Company has also made specific inquiries to all its Directors and Supervisors, and the Directors and Supervisors have confirmed that they have complied with the Transaction Standards and the Required Standards throughout the six months ended 30 June 2017.

A. INTERESTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

As at 30 June 2017, the interests and short positions of Directors, chief executives and the Supervisors of the Company (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 and short positions which the Directors, chief executives and the Supervisors is taken or deemed to have under such provisions of the SFO); or (b) were pursuant to section 352 of the SFO, recorded in the register required to be kept by the Company; or (c) were required, pursuant to 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 <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
Directors				
He Chaobing ("Mr. He")	Interest of a controlled corporation <i>(Note 2)</i>	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 <i>(Note 3 and 4)</i>	54,050,000 Domestic Shares (L)	9.32%	6.51%
	Interest deemed under sections 317(1) (a) and 318 of the SFO <i>(Note 5)</i>	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 <i>(Note 4 and 5)</i>	57,850,000 Domestic Shares (L)	9.98%	6.97%
Supervisors				
Wang Mingmei	Beneficial owner	3,800,000 Domestic Shares (L)	0.66%	0.46%

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
	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 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 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 June 2017, each of Mr. Huang Hongxing, Mr. He Lianyi, Ms. Wang Mingmei and Mr. Xue Guiyu held 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 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 <i>(Note 1)</i>	Approximate percentage of shareholding in the issued share capital of the associated corporation
He Chaobing	Dahe Investment	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, chief executives or Supervisors 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 June 2017.

B. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2017, so far as is known to the Directors, chief executives or Supervisors 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 <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
Dahe Investment	Beneficial owner	393,950,000 Domestic Shares (L)	67.92%	47.46%
Yan Fen ("Ms. Yan")	Interest of spouse <i>(Note 2)</i>	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) <i>(Note 3)</i>	11.08%	7.74%
Wang Qinghua	Beneficial owner	50,000,000 Domestic Shares (L)	8.62%	6.02%

Notes:

- The letters "L" denote a long position in the shares.
- 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 June 2017, the top ten Eligible Participants with the most capital contribution were Huang Hongxing, He Lianyi, Lu Yin, Guan Dawei, Ding Hui, Jin Liping, Xu Rong, Kan Chao, Zhong Lei and Yu Lingling. 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 June 2017, 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.

Save as disclosed above, as at 30 June 2017, so far as is known to the Directors, chief executives or Supervisors of the Company, no other persons (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.

COMPETING INTEREST

Save as disclosed below, none of the Directors, the 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:

Name	Relationship with the Company	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the relevant person in the entity
Mr. He	Controlling shareholder and Director	DIHG	design and production of advertisements	Mr. He owns 99% equity interest in DIHG and is the director of DIHG.
Ms. Yan	Controlling shareholder	DIHG	design and production of advertisements	Ms. Yan, the spouse of Mr. He, owns 1% equity interest in DIHG.
Mr. He Pengjun	Director	DIHG	design and production of advertisements	Mr. He Pengjun is the supervisor of DIHG.

CORPORATE GOVERNANCE

During the Period under Review, except for the matters below, none of the Directors of the Company is 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 during the six months ended 30 June 2017:

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.

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 interim report in accordance with the GEM Listing Rules.

By Order of the Board
He Chaobing
Chairman

Nanjing, the PRC
10 August 2017

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 Ce, being the non-executive Directors.

* *For identification purpose only*