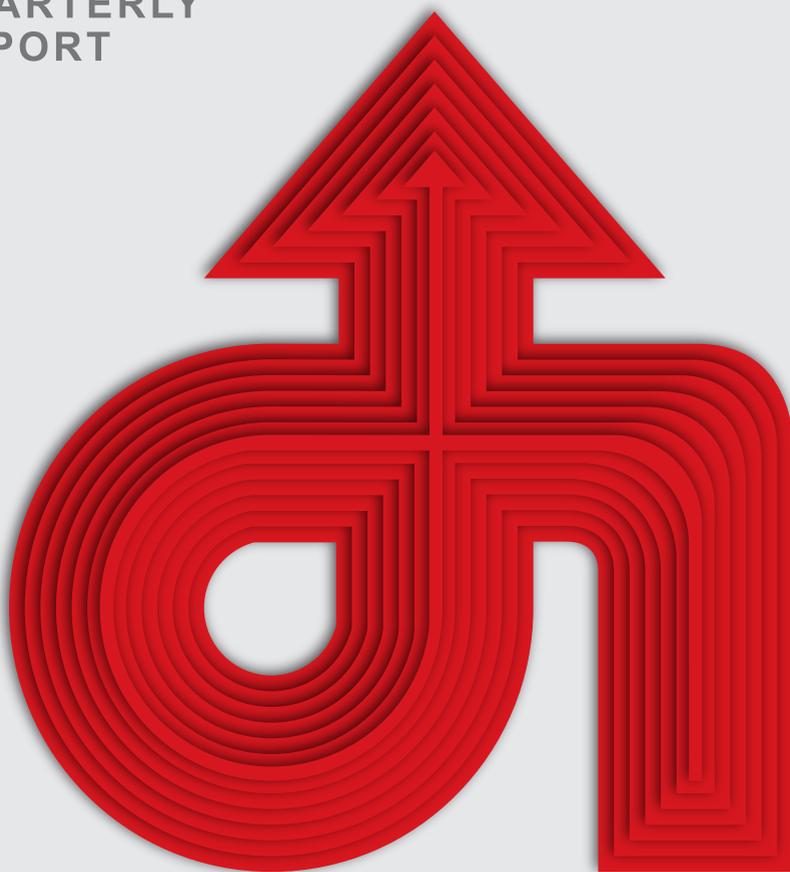


# 2017

## THIRD QUARTERLY 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.**

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*This report, for which the directors of Dahe Media Co., Ltd.\* collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Dahe Media Co., Ltd.\*. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this report or any statement herein misleading.*

## HIGHLIGHTS

- For the nine months ended 30 September 2017, the Group realised a turnover of approximately RMB349,176,000 (2016: RMB291,157,000), representing an increase of approximately 20% over the same period of 2016.
- Gross turnover of the Group for the nine months ended 30 September 2017 was mainly from media dissemination, terminal dissemination service, media production and art trading, representing approximately 53.42% (2016: 62.55%), 45.53% (2016: 35.67%), 1.03% (2016: 1.73%) and 0.02% (2016: 0.05%) of the gross turnover, respectively.
- For the nine months ended 30 September 2017, profit attributable to the owners of the Company was approximately RMB15,393,000 (2016: RMB15,056,000), representing an increase of approximately 2% over the same period of 2016.
- Earnings per share were approximately RMB1.85 cent (2016: RMB1.81 cent).
- The Board did not recommend the payment of a quarterly dividend for the nine months ended 30 September 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 nine months ended 30 September 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	Nine months ended 30 September		Three months ended 30 September	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	3	349,176	291,157	156,271	136,374
Cost of sales		(273,719)	(212,773)	(134,676)	(110,930)
Gross profit		75,457	78,384	21,595	25,444
Other income, expenses and other gains and losses		933	4,730	50	212
Selling and distribution expenses		(22,096)	(24,977)	(7,485)	(8,223)
Administrative expenses		(16,492)	(15,932)	(4,087)	(5,154)
Research and development costs		(11,031)	(8,611)	(3,211)	(3,286)
Finance costs	5	(8,862)	(15,668)	(3,151)	(5,215)
Profit before tax		17,909	17,926	3,711	3,778
Income tax expenses	6	(2,520)	(3,010)	(410)	(705)
Profit for the period	7	15,389	14,916	3,301	3,073
Profit (loss) for the period attributable to:					
Owners of the Company		15,393	15,056	3,255	3,141
Non-controlling interests		(4)	(140)	46	(68)
		15,389	14,916	3,301	3,073
Earnings per share					
– Basic (RMB per share)	9	1.85cent	1.81cent	0.39cent	0.38cent

## **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.\*) ("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 "Third Quarter 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 nine months ended 30 September 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 third quarterly period, the Group has applied 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 period.

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

## 3. TURNOVER

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

Turnover Item

	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Income from the media dissemination business	186,562	182,135	104,302	97,681
Income from terminal dissemination service business	158,965	103,848	50,742	37,965
Income from media production business	3,590	5,026	1,227	728
Income from art trading business	59	148	—	—
	<u>349,176</u>	<u>291,157</u>	<u>156,271</u>	<u>136,374</u>

## 4. 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
<b>For the nine months ended 30 September 2017 (unaudited)</b>					
<b>Segment revenue:</b>					
Sales to external customers	186,562	3,590	158,965	59	349,176
Reportable segment results	33,869	257	41,322	9	75,457
Other income, expenses and other gains and losses					933
Selling and distribution expenses					(22,096)
Administrative expenses					(16,492)
Research and development costs					(11,031)
Finance costs					(8,862)
Profit before tax					17,909
<b>For the nine months ended 30 September 2016 (unaudited)</b>					
<b>Segment revenue:</b>					
Sales to external customers	182,135	5,026	103,848	148	291,157
Reportable segment results	52,130	583	25,626	45	78,384
Other income, expenses and other gains and losses					4,730
Selling and distribution expenses					(24,977)
Administrative expenses					(15,932)
Research and development costs					(8,611)
Finance costs					(15,668)
Profit before tax					17,926

## 5. FINANCE COSTS

	Nine months ended 30 September		Three months ended 30 September	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Interest on:				
– bank borrowings	8,733	11,607	3,119	3,869
– endorsed bills borrowings	—	3,675	—	1,290
– bank charges	129	386	32	56
	<u>8,862</u>	<u>15,668</u>	<u>3,151</u>	<u>5,215</u>

## 6. INCOME TAX EXPENSE

	Nine months ended 30 September		Three months ended 30 September	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
PRC Enterprise Income Tax ("EIT"):				
Current period	2,413	3,007	410	705
Under (over) provision in prior periods	107	(3)	—	—
	<u>2,520</u>	<u>3,010</u>	<u>410</u>	<u>705</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% (nine months ended 30 September 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 the three periods.

## 7. PROFIT FOR THE PERIOD

	Nine months ended 30 September		Three months ended 30 September	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging:				
Impairment losses recognised on trade receivables	1,266	2,244	(93)	1,001
Research and development costs	11,031	8,611	3,211	3,286
Depreciation of property, plant and equipment	19,318	15,562	6,332	5,088
Amortisation of prepaid lease payments	43	43	15	15
Amortisation of other intangible assets	169	169	56	56
Gain (loss) on disposals of property, plant and equipment	(41)	(30)	(67)	(3)

## 8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the Period under Review.

## 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:

	Nine months ended 30 September		Three months ended 30 September	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Earnings</b>				
Profit attributable to the owners of the Company	15,393	15,056	3,255	3,141
<b>Number of shares:</b>				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	830,000	830,000	830,000	830,000

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

## 10. 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	Total reserves RMB'000 Unaudited
As at 1 January 2016	83,000	97,252	30,003	(48,289)	166,985	328,951
Total comprehensive income for the period	—	—	—	—	15,056	15,056
As at 30 September 2016	<u>83,000</u>	<u>97,252</u>	<u>30,003</u>	<u>(48,289)</u>	<u>182,041</u>	<u>344,007</u>
As at 1 January 2017	83,000	97,252	33,226	(48,289)	194,947	360,136
Total comprehensive income for the period	—	—	—	—	15,393	15,393
As at 30 September 2017	<u>83,000</u>	<u>97,252</u>	<u>33,226</u>	<u>(48,289)</u>	<u>210,340</u>	<u>375,529</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

For the nine months ended 30 September 2017, the Group achieved a turnover of approximately RMB349,176,000 (2016: RMB291,157,000), representing an increase of approximately 20% over the same period last year. During the period, profit attributable to the shareholders was approximately RMB15,393,000 (2016: RMB15,056,000), representing an increase of approximately 2% over the same period last year. Earnings per share increased by 2% to RMB1.85 cent (2016: RMB1.81 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. In response to contraction in self-owned media in the previous period, the Group integrated premium media resources from various channels to extend its media portfolio so as to further its media market share. However, the lower margin for acting as an agency of those media resources brought a decrease in the average gross profit.

During the period, the revenue from outdoor advertising media dissemination business, terminal dissemination service, media production and art trading business accounted for approximately 53.42% (2016: 62.55%), 45.53% (2016: 35.67%), 1.03% (2016: 1.73%) and 0.02% (2016: 0.05%), respectively, of the Group's turnover. The Board does not recommend the payment of a quarterly dividend for the nine months ended 30 September 2017 (2016: nil).

### **MEDIA DISSEMINATION BUSINESS**

During the Period under Review, the Group's media dissemination business recorded a turnover of approximately RMB186,562,000 (2016: RMB182,135,000), representing an increase of approximately 2% over the same period last year and accounting for 53.42% 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 ecosphere 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 RMB158,965,000 (2016: RMB103,848,000), representing an increase of approximately 53% over the same period last year and accounting for approximately 45.53% 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, Tencent, 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, CR Vanguard, Yanghe Shares, Hongyan Electric 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, and continue to develop Ali's Cainiao Yizhan (菜鳥驛站) project, Cainiao Alliance (菜鳥聯盟) project and Alipay project.

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 RMB3,590,000 (2016: RMB5,026,000), representing a decrease of approximately 28% over the same period last year and accounting for approximately 1.03% 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 0.02% of the Group's total turnover.

## **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 continued to optimize its customer portfolio, explored further Ali's businesses. In addition to continuing to complete the Taobao Village project, the Group also began the Cainiao project and Alipay project. During the period, the Group also obtained cooperation with Tencent to complete the implementation of the first storefront of its gaming project, and continued to deepen the strategic cooperation with Mobike to complete the implementation of many diversified store projects. 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).

In July, the Group won the gold and silver awards in the 2017 “International Commercial Art Design Contest(2017國際商業美術藝術設計大賽)”.

### 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, Meizu and Tencent etc., formulate platform strategy, and develop wider and deeper.

## **FINANCIAL REVIEW**

### **TURNOVER**

Turnover of the Group for the Period under Review was approximately RMB349,176,000 (2016: RMB291,157,000), increased by approximately 20% when compared with the corresponding period last year.

### **GROSS PROFIT**

During the Period under Review, gross profit margin was approximately 21.6%, decreased by 5.3 percentage points when compared with 26.9% for the corresponding period last year. The major reason for the decrease in gross profit margin was that, in view of contraction in self-owned media in the previous period, the Group integrated premium media resources from various channels to extend its media portfolio, but acting as an agency had a lower margin.

### **SELLING AND DISTRIBUTION EXPENSES**

During the Period under Review, selling and distribution expenses decreased by 11% when compared with the corresponding period last year.

### **ADMINISTRATION EXPENSES**

During the Period under Review, administrative expenses increased by 3% when compared with the corresponding period last year.

### **FINANCE COSTS**

During the Period under Review, finance costs were approximately RMB8,862,000 (2016: RMB15,668,000), decreased by 43% when compared with the corresponding period last year.

### **DIVIDENDS**

The Directors do not recommend the payment of a quarterly dividend for the nine months ended 30 September 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 September 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 September 2017, net current asset was approximately RMB239,616,000 (31 December 2016: RMB189,643,000).

As at 30 September 2017, bank balances and cash and pledged bank deposit held by the Group amounted to approximately RMB82,224,000 (31 December 2016: RMB81,195,000), all of which were denominated in RMB. Borrowings amounted to approximately RMB304,240,000 (31 December 2016: RMB389,575,000). Net debt-to-adjusted capital ratio was approximately 37%, 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 RMB597,545,000 (31 December 2016: RMB668,520,000) (31 December 2016: net debt-to-adjusted capital ratio was approximately 46%).

As at 30 September 2017, all of the Group's bank borrowings amounted to RMB301,000,000 (31 December 2016: RMB381,100,000) 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 September 2017, the Group had about 420 (2016: 490) full-time staff. During the Period under Review, staff cost was approximately RMB21,450,000 (2016: approximately RMB28,030,000). 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 September 2017, the bank deposits of the Group of approximately RMB10,150,000 (31 December 2016: RMB40,200,000) were pledged as security for the Group's borrowings.

## **CONTINGENT LIABILITIES**

As at 30 September 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 nine months ended 30 September 2017.

### **A. INTERESTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS**

As at 30 September 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/ chief executive/ 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/ chief executive/ 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
	Beneficial owner and interest deemed under sections 317(1) (a) and 318 of the SFO <i>(Note 4 and 5)</i>	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 <i>(Note 4 and 5)</i>	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 September 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/ chief executive/ Supervisor	Name of the associated corporation	Capacity	Equity interest in the associated corporation <i>(Note 1)</i>	Approximate percentage of interest in the associated corporation
He Chaobing	Dahe Investment	Beneficial owner	57,420,000 (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 (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 September 2017.

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

As at 30 September 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 September 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 September 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 September 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 nine months ended 30 September 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 third quarterly report in accordance with the GEM Listing Rules.

By Order of the Board  
**He Chaobing**  
*Chairman*

Nanjing, the PRC  
13 November 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 Ge, being the non-executive Directors.*

\* *For identification purpose only*