2018 FIRST 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

DHA GROUP 大贺传媒

* For identification Purposes only

CHARACTERISTICS OF GEM ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

HIGHLIGHTS

- For the three months ended 31 March 2018, the Group realised a turnover of approximately RMB81,837,000, representing a decrease of approximately 5% over the same period of 2017.
- Gross turnover of the Group for the three months ended 31 March 2018 was mainly from media dissemination, terminal dissemination service, media production and art trading, representing approximately 44.69% (2017: 61.68%), 55.05% (2017: 36.59%), 0.26% (2017: 1.66%) and nil (2017: 0.07%) respectively of the gross turnover.
- For the three months ended 31 March 2018, profit attributable to the owners of the Company was approximately RMB2,270,000, representing an increase of approximately 2% over the same period of 2017.
- Earnings per share were approximately RMB0.27 cent (2017: RMB0.27 cent).
- The Board does not recommend the payment of a quarterly dividend for the three months ended 31 March 2018 (2017: nil).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Board (the "Board") of Directors (the "Directors") of Dahe Media Co., Ltd. (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the three months ended 31 March 2018 (the "Period Under Review"), together with the comparative figures for the corresponding period in 2017 as follows, which has been reviewed by the audit committee of the Company:

		For the three months ended 31 March	
		2018	2017
	Notes	**RMB'000**	RMB'000
		Unaudited	Unaudited
Turnover	3	**81,837**	86,294
Cost of sales		**(60,377)**	(61,860)
Gross profit		**21,460**	24,434
Other income and net gain		**89**	17
Distribution costs		**(6,834)**	(7,600)
Administrative expenses		**(4,540)**	(6,860)
Research and development costs		**(3,724)**	(4,343)
Finance costs	5	**(3,832)**	(2,855)
Profit before income tax		**2,619**	2,793
Income tax expenses	6	**(405)**	(586)
Profit and total comprehensive income for the period	7	**2,214**	2,207
Attributable to owners of the Company		**2,270**	2,230
Non-controlling interests		**(56)**	(23)
		2,214	2,207
Earnings per share – Basic (RMB)	9	**0.27 cent**	0.27 cent

NOTES TO THE CONDENSED FINANCIAL INFORMATION:

1. GENERAL AND BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 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 Holding Group Co., Ltd.*) ("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 dis-semination, media production, terminal dissemination and trading of artworks in the PRC.

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

These 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 and the disclosure requirements of Chapter 18 of the GEM Listing Rules.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements for the three months ended 31 March 2018 are consistent with those used in the preparation of the audited annual financial statements of the Group for the year ended 31 December 2017.

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

The application of the above-mentioned amendments to HKFRSs in the current first quarterly period has had no material impact 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:

Segment Turnover

	Unaudited For the three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
Income from the media dissemination business	**36,568**	53,224
Income from terminal dissemination business	**45,054**	31,576
Income from media production business	**215**	1,435
Income from art trading business	**—**	59
	81,837	86,294

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, 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

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

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

For the three months ended 31 March 2018 (unaudited)

	Media Dissemination RMB'000	Media Production RMB'000	Terminal Dissemination Services RMB'000	Art trading RMB'000	Total RMB'000
Revenue from external customers	36,568	215	45,054	—	81,837
Reportable segment results	7,320	14	14,126	—	21,460
Other income and net loss					89
Distribution costs					(6,834)
Administrative expenses					(4,540)
Research and development costs					(3,724)
Finance costs					(3,832)
Profit before income tax					2,619

For the three months ended 31 March 2017 (unaudited)

	Media Dissemination RMB'000	Media Production RMB'000	Terminal Dissemination Services RMB'000	Art trading RMB'000	Total RMB'000
Revenue from external customers	53,224	1,435	31,576	59	86,294
Reportable segment results	13,870	148	10,407	9	24,434
Other income and net loss					17
Distribution costs					(7,600)
Administrative expenses					(6,860)
Research and development costs					(4,343)
Finance costs					(2,855)
Profit before income tax					(2,793)

5. FINANCE COSTS

	For the three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Unaudited
Interests on:		
– Bank borrowings	**3,774**	2,792
– Bank charges	**58**	63
	3,832	2,855

6. INCOME TAX EXPENSE

	For the three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Unaudited
PRC Enterprise Income Tax ("EIT"):		
Current tax	**405**	586
Under (over) provision in previous period	**—**	—
	405	586

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%, 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 months ended 31 March 2018.

7. PROFIT FOR THE PERIOD

	For the three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Unaudited
Profit for the period is arrived at after charging:		
Impairment losses recognised on trade receivables	**(427)**	1,635
Research and development costs	**3,724**	4,343
Depreciation of property, plant and equipment	**3,761**	4,845
Amortisation of prepaid lease payments	**14**	14
Amortisation of other intangible assets	**56**	56
Gain (loss) on disposals of property, plant and equipment	**(1)**	26

8. DIVIDEND

The board of directors does not recommend 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:

	For the three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Unaudited
Earnings		
Profit attributable to the owners of the Company	**2,270**	2,230
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share ('000 shares)	**830,000**	830,000

No diluted earnings per share is presented for the three months ended 31 March 2018 and 31 March 2017 as the Company did not have any potential ordinary shares outstanding.

10. RESERVES

	Share capital	Share premium and capital reserves	Statutory surplus reserve	Other reserves	Retained profits	Total reserves
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
As at 1 January 2017	83,000	97,252	33,226	(48,289)	194,947	360,136
Total comprehensive income for the period	—	—	—	—	2,230	2,230
As at 31 March 2017	83,000	97,252	33,226	(48,289)	197,177	362,366
As at 1 January 2018	83,000	97,252	36,328	(48,289)	224,124	392,415
Total comprehensive income for the period	—	—	—	—	2,270	2,270
As at 31 March 2018	83,000	97,252	36,328	(48,289)	226,394	394,685

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the three months ended 31 March 2018, the Group achieved a turnover of approximately RMB81,837,000 (2017: RMB86,294,000), representing a decrease of approximately 5% over the same period last year. During the period, profit attributable to the shareholders was approximately RMB2,270,000 (2017: RMB2,230,000), representing an increase of approximately 2% over the same period last year. Earnings per share maintained at RMB0.27 cent.

During the period, the revenue from outdoor advertising media dissemination business, terminal dissemination service, media production and art trading business accounted for approximately 44.69% (2017: 61.68%), 55.05% (2017: 36.59%), 0.26% (2017: 1.66%) and nil (2017: 0.07%) of the Group's turnover respectively. The Board does not recommend the payment of a quarterly dividend for the three months ended 31 March 2018 (2017: nil).

MEDIA DISSEMINATION BUSINESS

During the Period under Review, the Group's media dissemination business recorded a turnover of approximately RMB36,568,000, representing a decrease of approximately 31% over the same period last year and accounting for 44.69% of the Group's total turnover. The Group aims to create an O2O smart-media operation platform, apart from having outdoor media dissemination resources of approximately 150,000 square metres, and providing one-stop advertising service covering integrated marketing communication consultation, media publication strategy consultation, advertising design and production, outdoor mass media dissemination and monitoring and evaluation, the Group, through the first initiated social media in the PRC, also assists client to effectively consolidate offline resources. During the period, the Group's outdoor media average launching rate remained stable. The main customers come from fast moving consumer goods, media, real estate, finance, tourism and other industries. The scope of coverage has been extended to cities including Beijing, Shanghai, Guangzhou, Nanjing, Shenzhen, Hangzhou and Shenyang.

Outdoor media dissemination resources mainly include billboards on expressways, billboards in urban areas and LED screens. The business coverage of self-owned media resources has extended to regions including Jiangsu, Zhejiang, Liaoning, Anhui, Shanghai and Beijing. Meanwhile, the Group constantly integrates the outdoor billboard resources across China based on the needs of customers, and its media resources cover most provinces and core cities in China. This enables the Group to consolidate the available media resources in professional markets scattered cities of all levels across China to provide a diversified mix of publication solutions based on specific requirements of various customers in terms of timing and place of advertisement. The Group has made a great effort to tap the digital outdoor advertising field, and owns large full color outdoor LED screens of over 1,000 square meters in the prime core business district in Nanjing. Upholding the business philosophy of "creativity + interaction + technology", the Group is committed to providing 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 BUSINESS

Currently, the Group aims to make use of the rich internet resources accumulated over the years to build an ecosphere of "living together, living mutually and re-born (共生、互生、再生)". The core business of terminal dissemination, apart from the establishment of terminal SI system, targeted signage system, terminal POP system, terminal props making, large events, exhibition display, and commercial display, squarely consolidated the supply chain and cooperation parties, fostering the concept of Dahe + platform.

During the Period under Review, the Group recorded a turnover of approximately RMB45,054,000 (2017: RMB31,576,000), representing an increase of approximately 43% over the same period last year and accounting for approximately 55.05% of the Group's total turnover.

"Terminal Dissemination" continuously conducted client portfolio upgrade, extending to Internet giant enterprises such as Alibaba, Microsoft, Didi Dache, Meituan, JD, Mobike and Ctrip. With the offline channel advantages, the Group assisted client to realize online and offline breakthroughs and continued to maintain sound cooperative relationship with our existing offline customers of well-known brands such as Wuzhen Travel, Nike, COFCO Group, Yihai Kerry, CR Vanguard, Li Ning, LEE, Lenovo, Beiqi Foton Motor Daimler, Samsung, Haohaizi, Kubota, GAP, and Orient Securities.

Alibaba has planned to invest RMB10 billion in the establishment of the new Taobao rural project in the next few years. As a supplier of Alibaba, the Group continuously materialize the store image design and renovation of Alibaba Taobao rural project stores. Our Group demonstrated the set-up of the first online shop, advancing Taobao rural project from 1.0 to 3.0.

The Group has adopted an effective, efficient, and responsible attitude towards work. Apart from continuing to implement the Mobike Stop Sign Project efficiently, the Group was also responsible for Mobike's press release activity and the development and implementation of its new projects.

During the period, the Group continued to seize the opportunity arising from the successive development of the offline business by Internet customers amid the new retail reform trend. The Group continued to develop and reserve customers from O2O industries, provided customers with localization and implementation services for their offline stores and enhanced the shopping experiences of consumers, eventually realizing the seamless transformation of online and offline customer flow. During the period, the Group established strategic cooperation with Ctrip, Tuniu, JD and Microsoft to provide image design and decoration services for various shops. The Group also established cooperation with Lenovo on tool design and implementation and applied them in various experience stores and provided services for the dissemination and promotion of the offline terminal of Alipay. The smooth implementation of the above projects not only mark the Group's new achievement on the change in its customer model, but also represent a replicable successful precedent for Dahe in becoming a consolidation and operation platform for offline channels and the bridging of offline channels among other Internet leaders.

MEDIA PRODUCTION AND ART TRADING BUSINESS

During the Period under Review, the turnover of the Group's media production business was approximately RMB215,000 (2017: RMB1,435,000), representing a decrease of approximately 85% over the same period last year and accounting for approximately 0.26% of the Group's total turnover.

During the period, the Group's art trading business had nil turnover (2017: RMB59,000).

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 continuously conducted client portfolio upgrade and established strategic cooperation with various companies such as Alibaba and Meizu. In addition to continuously serving Alibaba to implement its Taobao rural project, in response to Mobike expansion, the Group would, based on its abundant offline channels resources accumulated over the years, assist it in the construction of marketing channels. At the same time, the Group also actively cooperate with Mobike on its expansion strategy to progressively complete the production of the signage and material for Mobike project. The smooth implementation of the above projects will promote the Group to realise the change from single project service to smart-media platform strategic cooperation, and the transformation 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.

MAJOR EVENTS: AWARDS AND HONOURS

DAHE GROUP

On 12 January 2018, the Company was awarded the AAA Grade Credit Rating Enterprise.

OUTLOOK

In recent years, economic growth has continuously slowed down, leading to an increasing need for industrial transformation and upgrades. The market has much expectation for emerging industries. The expansion of consumption and upgrades of technologies have become a pivotal momentum supporting the sustainable and healthy development of the cultural media industry with the media industries entering into the medium to long-term prosperity.

Meanwhile, to better promote the healthy and rapid development of the media industries, the PRC has carried out a series of supportive and regulatory policies to provide the media industries with corresponding encouraging measures and guiding opinions for their stable development for a long time, igniting and guiding them in their development. From the fact that the economy in China maintains its growth at a steady pace in the long term, the stable growth of the media industries as the economy grows in China is undoubtable, although short periods of economic volatility and internal adjustments of the media industries under the impacts of the economic environment are inevitable.

The Group remains optimistic about the future development. The Group's first social media will continue to grow its coverage across the nation, striving to dominate the outdoor advertising market. The Group also continues to actively expand customer resources, having realized a change in customer types. Apart from serving existing traditional customers, the Group as well developed and serviced many leading Internet enterprises, with customers from the O2O industry reaching about a thousand.

In the future, the Group will continue to expand its business scope, consolidate resources, and plan platform strategies with unremitting efforts committed to the Group's long-term development.

FINANCIAL REVIEW

TURNOVER

Turnover of the Group for the Period under Review was approximately RMB81,837,000, decreased by approximately 5% when compared with the corresponding period last year.

GROSS PROFIT

During the Period under Review, gross profit margin was approximately 26.2%, decreased by approximately 2.1 percentage points when compared with 28.3% for the corresponding period last year.

DISTRIBUTION COSTS

During the Period under Review, distribution costs decreased by 10% when compared with the corresponding period last year.

ADMINISTRATION EXPENSES

During the Period under Review, administrative expenses decreased by 34% when compared with the corresponding period last year.

FINANCE COSTS

During the Period under Review, finance costs were approximately RMB3,832,000, increased by 34% when compared with the corresponding period last year.

DIVIDENDS

The Board does not recommend the payment of the quarterly dividend for the three months ended 31 March 2018 (2017: nil).

FUTURE MAJOR INVESTMENT PLANS AND EXPECTED SOURCE OF FUNDS

The Group will continue to integrate the existing operations, at the same time identify new business opportunities which may supplement or strengthen the existing operations. As at 31 March 2018, the Group has not set up any specific plans.

WORKING CAPITAL AND FINANCIAL RESOURCES

The Group has adopted a prudent financial management policy and maintained a strong financial status. As at 31 March 2018, net current asset was approximately RMB247,880,000 (As at 31 December 2017: approximately RMB242,740,000).

As at 31 March 2018, bank balances and cash held by the Group amounted to approximately RMB40,080,000. Bank borrowings amounted to approximately RMB321,050,000. Net debt-to-adjusted capital ratio was approximately 42%, being the percentage of bank loans less bank balances and cash and pledged bank deposits over total equity attributable to owners of the Company and net debt of approximately RMB675,660,000 (As at 31 December 2017: net debt-to-adjusted capital ratio was approximately 24%).

As at 31 March 2018, bank borrowings of the Group amounted to approximately RMB321,050,000 (31 December 2017: RMB323,050,000), bearing interest at fixed rates. The interest rate was 4.57% to 7.5% (31 December 2017: 4.57% to 7.5%).

RISK OF FOREIGN EXCHANGE

As the Group's income and expense are denominated in RMB, there are no foreign exchange risks (Corresponding period in 2017: Nil). The Group has not entered into any foreign exchange hedging arrangements to manage the risk of foreign exchange.

SIGNIFICANT INVESTMENT

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

MATERIAL ACQUISITION AND DISPOSAL

During the Period under Review, the Group has no material acquisition and disposal (Corresponding period in 2017: Nil).

STAFF

As at 31 March 2018, the Group has about 390 (2017: 460) full-time staff. During the Period under Review, staff cost was approximately RMB8,238,000 (Corresponding period in 2017: approximately RMB10,460,000).

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' RETIREMENT BENEFIT SCHEME

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

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2018, bank deposits of the Group of approximately RMB10 million (31 December 2017: RMB10 million) were pledged as security for the Group's borrowings.

CONTINGENT LIABILITIES

As at 31 March 2018, the Group had no material contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

SHARE PURCHASE SCHEME

In order to, among others, encourage, maintain a long-term service relationship between the Company and the management to allow the Group to share its future value and growth with the eligible participants and align the personal interests of the eligible participants with those of the Company and its shareholders, which will facilitate the Group's future success and development, 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) (Nanjing Shengshi Huacheng Investment Management Joint Enterprise (Limited Partnership)*)("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 Share") from Dahe Investment and Chenwei Ink Factory at a price made with reference to the net asset value per share as set out in the 2014 annual report of the Company, i.e. HK$0.462 per Scheme Share. The acquisition of Scheme Shares was completed on 18 April 2016.

Shengshi Huacheng is the registered holder of the 54,050,000 Scheme Shares, representing approximately 6.51% of the total issued share capital of the Company as at the time 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, the Company has continued to adopt a set of transaction standards in respect of securities transactions by its Directors and supervisors of the Company (the "Supervisors"), which is no less stringent than that stipulated in Rules 5.46 to 5.67 of the GEM Listing Rules. The Company has also made specific inquiries to all its Directors and Supervisors, and is not aware of any violation of the transaction standards and the model code in respect of securities transactions by its Directors or Supervisors as required.

A. INTERESTS AND SHORT POSITIONS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

As at 31 March 2018, the interests and short positions of Directors, chief executives and Supervisors of the Company (as if the requirements applicable to Directors under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") were also applicable to the Supervisors) in the shares and underlying shares in, and debentures of, the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors, the chief executives and the Supervisors were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on GEM (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 *(Note 1)*	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the issued share capital of the Company
Directors				
He Chaobing (“Mr. He”)	Interest of a controlled corporation *(Note 2)*	393,950,000 domestic shares of nominal value of RMB0.1 each in the share capital of the Company (the “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 *(Notes 3 and 4)*	54,050,000 Domestic Shares (L)	9.32%	6.51%
	Interest deemed under sections 317(1) (a) and 318 of the SFO *(Note 5)*	10,200,000 Domestic Shares (L)	1.76%	1.23%

Name of Director/ Chief executive/ 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
He Lianyi	Beneficial owner	6,400,000 Domestic Shares (L)	1.10%	0.77%
	Beneficial owner and interest deemed under sections 317(1) (a) and 318 of the SFO *(Note 4 and 5)*	57,850,000 Domestic Shares (L)	9.98%	6.97%
Wang Mingmei	Beneficial owner	3,800,000 Domestic Shares (L)	0.66%	0.46%
	Beneficial owner and interest deemed under sections 317(1) (a) and 318 of the SFO *(Note 4 and 5)*	60,450,000 Domestic Shares (L)	10.42%	7.28%

Name of Director/ Chief executive/ 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
Supervisor				
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 letter "L" denotes a long position in the share capital.

2. The interests in the Domestic Shares were held through Dahe Investment Holdings Group, Co., Ltd. ("DIHG" or "Dahe Investment") which was 99% and 1% owned by Mr. He and Ms. Yan Fen ("Ms. Yan"), the spouse of Mr. He respectively.

3. The interests in the Domestic Shares were directly held through Shengshi Huacheng. Pursuant to the Share Purchase Scheme, 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 31 March 2018, each of Mr. Huang Hongxing, Mr. He Lianyi, Ms. Wang Mingmei and Mr. Xue Guiyu held approximately 23.755%, 11.5%, 0.5% and 1%, respectively, of the equity interests in Shengshi Huacheng, and were interested in such Domestic Shares represented by their respective shares in Shengshi Huacheng in the capacity of beneficial owner.

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

(ii) the associated corporations

Name of Director/ Chief executive/ Supervisor	Name of the associated corporation	Capacity	Number and class of securities *(Note 1)*	Approximate percentage of shareholding in the issued share capital of the associated corporation
Mr. He	DIHG	Beneficial owner	393,950,000 shares (L)	99%
He Pengjun	Nanjing Ultralon Investment Management Co., Ltd.* (南京歐特龍投資管理有限公司)	Beneficial owner	500,000 shares (L)	10%

Notes:

1. The letter "L" denotes a long position in the share capital.

Save as disclosed above, so far as is known to the Directors, chief executives or Supervisors of the Company, as at 31 March 2018, other Directors, chief executives or Supervisors of the Company had no interest or short position in any shares and underlying shares in, and debentures of, the Company or any associated corporation.

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

As at 31 March 2018, so far as is known to the Directors, chief executives or Supervisors of the Company, the following persons (other than a Director, chief executive or Supervisor of the Company) had an interest or short position in the shares and underlying shares in the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Number and class of securities *(Note 1)*	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the issued share capital of the Company
DIHG	Beneficial owner	393,950,000 Domestic Shares (L)	67.92%	47.46%
Ms. Yan	Interest of spouse *(Note 2)*	393,950,000 Domestic Shares (L)	67.92%	47.46%
Partners of Shengshi Huacheng	Beneficial owner and interest deemed under sections 317(1) (a) and 318 of the SFO	64,250,000 Domestic Shares (L) *(Note 3)*	11.08%	7.74%
Wang Qinghua	Beneficial owner	50,000,000 Domestic Shares (L)	8.62%	6.02%

Notes:

1. The letter "L" denotes a long position in the share capital.

2. Ms. Yan is the wife of Mr. He 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 31 March 2018, the top ten Eligible Participants who made the most contribution were Huang Hongxing, He Lianyi, Lu Yin, Guan Dawer, 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 31 March 2018, 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 the disclosed above, so far as is known to the Directors, chief executives or Supervisors of the Company, no other person (other than Directors, chief executives and Supervisors of the Company) had an interest or a short position in any Shares or underlying shares in the Company as recorded in the register required to be kept by the Company under section 336 of the SFO as at 31 March 2018.

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.
He Pengjun	Director	DIHG	design and production of advertisements	Mr. He Pengjun is the supervisor of DIHG.

CORPORATE GOVERNANCE

During the period, saved for the matters below, none of the Directors of the Company is aware of any information which reasonably indicates that there has been non-compliance with the code provisions as set out in the Code of Corporate Governance (the "Code") as set out in Appendix 15 of the GEM Listing Rules of the Stock Exchange in any time during the accounting period covered under the current report:

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

AUDIT COMMITTEE

The Company established an audit committee on 23 October 2003 with written terms of reference made in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process, internal control and risk control system of the Company. The audit committee comprises three independent non-executive directors, Mr. Xu Haoran, Mr. Ge Jianya and Ms. Ye Jianmei. The audit committee has reviewed this first quarterly report in accordance with the GEM Listing Rules.

By Order of the Board
He Chaobing
Chairman

Nanjing, the PRC
11 May 2018

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*