2018

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 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 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.

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 2018, the Group realised a turnover of approximately RMB226,292,000 (2017: RMB192,905,000), representing an increase of approximately 17% over the same period of 2017.
- Gross turnover of the Group for the six months ended 30 June 2018 was mainly from media dissemination, terminal dissemination service, media production and art trading, representing approximately 48.66% (2017: 42.64%), 50.97% (2017: 56.1%), 0.37% (2017: 1.23%) and 0% (2017: 0.03%) of the gross turnover, respectively.
- For the six months ended 30 June 2018, profit attributable to the owners of the Company was approximately RMB12,196,000 (2017: RMB12,138,000), representing an increase of approximately 0.5% over the same period of 2017.
- Earnings per share were approximately RMB1.47 cent (2017: RMB1.46 cent).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: 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 2018 (the "Period under Review"), together with the comparative figures for the corresponding period in 2017 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	
		2018	2017
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	**226,292**	192,905
Cost of sales		**(173,246)**	(139,043)
Gross profit		**53,046**	53,862
Other income, expenses and other gains and losses	4	**171**	883
Selling and distribution expenses		**(12,708)**	(14,611)
Administrative expenses		**(9,737)**	(12,405)
Research and development costs		**(8,595)**	(7,820)
Finance costs	5	**(8,006)**	(5,711)
Profit before tax		**14,171**	14,198
Income tax expenses	6	**(2,015)**	(2,110)
Profit for the year	7	**12,156**	12,088
Profit (loss) for the year attributable to:			
Owners of the Company		**12,196**	12,138
Non-controlling interests		**(40)**	(50)
		12,156	12,088
Earnings per share			
– Basic (RMB per share)	9	**1.47**	1.46

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**30 June 2018 RMB'000 (unaudited)**	31 December 2017 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	**72,335**	83,296
Prepaid lease payments		**1,861**	1,889
Investment properties		**52,975**	52,975
Goodwill		**15,679**	15,679
Intangible assets		**859**	971
Rental deposits		**1,702**	942
Available-for-sale investment		**1,005**	—
		146,416	155,752
Current assets			
Inventories		**32,965**	31,280
Prepaid lease payments		**57**	57
Trade and bills receivables	11	**352,493**	296,474
Other receivables and prepayments		**208,385**	134,250
Amount due from the ultimate holding company		**22,742**	7,523
Amounts due from fellow subsidiaries		**15,771**	18,445
Amount due from a related company		**786**	744
Structured bank deposits		**2,400**	10,000
Pledged bank deposits		**10,000**	10,000
Bank balances and cash		**50,498**	183,355
		696,097	692,128

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	NOTES	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Current liabilities			
Trade payables	12	**83,658**	86,714
Other payables, deposits received and accruals		**2,012**	5,291
Deferred advertising income		**27,247**	18,690
Other tax payables		**2,538**	3,859
Amounts due to fellow subsidiaries		**1,641**	3,040
Tax liabilities		**1,822**	7,054
Borrowings	13	**308,047**	324,740
		426,965	449,388
Net current assets		**269,132**	242,740
Total assets less current liabilities		**415,548**	398,492
Non-current liabilities			
Deferred tax liabilities		**6,169**	6,169
		6,169	6,169
Net assets		**409,379**	392,323
Capital and reserves			
Share capital		**83,000**	83,000
Reserves		**321,611**	309,415
Equity attributable to owners of the Company		**404,611**	392,415
Non-controlling interests		**4,768**	(92)
Total equity		**409,379**	392,323

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium and capital reserve RMB'000 (Note a)	Statutory surplus reserve RMB'000 (Note c)	Other reserve RMB'000 (Note b)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018	83,000	97,252	36,328	(48,289)	224,124	392,415	(92)	392,323
Profit (loss) for the year	–	–	–	–	12,196	12,196	(40)	12,156
Capital contributions from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	4,900	4,900
At 30 June 2018	83,000	97,252	36,328	(48,289)	236,320	404,611	4,768	409,379
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

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	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(104,251)**	120,476
INVESTING ACTIVITIES		
Interest received	**215**	280
Proceeds from disposal of property, plant and equipment	**73**	167
Purchase of property, plant and equipment	**(44)**	(2,345)
Withdrawal of pledged bank deposits	**—**	20,000
Withdrawal of structured bank deports	**7,600**	—
Received from (advance to) the ultimate holding company	**(15,219)**	5,468
NET CASH USED IN INVESTING ACTIVITIES	**(7,375)**	23,570

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
Bank borrowings raised	**139,000**	127,000
Repayment of bank borrowings	**(154,000)**	(183,094)
Repayment to a financial institution	**(1,697)**	(3,484)
Repayment of endorsed bills borrowings	**—**	(70,000)
Interest paid	**(8,429)**	(5,614)
Capital contributions from non-controlling shareholders of subsidiaries	**3,895**	—
NET CASH FROM FINANCING ACTIVITIES	**(21,231)**	(135,192)
Net increase (decrease) in cash and cash equivalents	**(132,857)**	8,854
Cash and cash equivalents at 1 January	**183,355**	40,995
Cash and cash equivalents at 30 June, representing bank balances and cash	**50,498**	49,849

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 GEM (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 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

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 2018 (unaudited)					
Segment revenue:					
Sales to external customers	**110,117**	**840**	**115,335**	**—**	**226,292**
Reportable segment results	**21,370**	**76**	**31,600**	**—**	**53,046**
Other income, expenses and other gains and losses					**171**
Selling and distribution expenses					**(12,708)**
Administrative expenses					**(9,737)**
Research and development costs					**(8,595)**
Finance costs					**(8,006)**
Profit before tax					**14,171**
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

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other income and expenses		
Government grants (note a)	**51**	152
Interest income	**215**	280
Rental income	**47**	520
Others	**(123)**	(95)
Total other income and expenses, net	**190**	857
Other gains and losses		
Gain (loss) on disposal of property, plant and equipment	**(19)**	26
Total other gains and loss, net	**(19)**	26
Total	**171**	883

(Note a):

During the year, the relevant government authority granted one-off unconditional subsidies to the Group amounting to RMB51,000 (six months ended 30 June 2017: RMB152,000) 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	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on:		
– bank borrowings	**7,909**	5,614
– bank charges	**97**	97
	8,006	5,711

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT"):		
Current period	**2,014**	2,003
Under (over) provision in prior periods	**1**	107
	2,015	2,110

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 2017: 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 periods.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Impairment losses recognised on trade receivables	**—**	1,359
Research and development costs	**8,595**	7,820
Depreciation of property, plant and equipment	**11,248**	12,986
Amortisation of prepaid lease payments	**28**	28
Amortisation of other intangible assets	**12**	112
Gain (loss) on disposals of property, plant and equipment	**(19)**	26

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	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to the owners of the Company	**12,196**	12,138
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**830,000**	830,000

No diluted earnings per share is presented for the period ended 30 June 2018 and 30 June 2017 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 RMB44,000 (unaudited) (six months ended 30 June 2017: RMB845,000 (unaudited)) were recorded for the purchase of vehicles and the leasehold improvement.

11. TRADE AND BILLS RECEIVABLES

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade receivables	**520,621**	464,068
Less: allowance for doubtful debts of trade receivables	**(168,128)**	(168,128)
	352,493	295,940
Bills receivables	**—**	534
Total trade and bills receivables	**352,493**	296,474

The Group generally allows a credit period of 180 days (2017: 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 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
0 - 90 days	**99,874**	82,686
91 to 180 days	**39,619**	26,471
181 to 365 days	**25,060**	15,099
1 to 2 years	**162,995**	145,190
Over 2 years	**24,945**	26,494
	352,493	295,940

12. TRADE PAYABLES

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 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
0 - 30 days	**24,157**	22,870
31 - 90 days	**15,941**	18,145
91 - 180 days	**14,300**	9,219
181 - 365 days	**11,857**	12,375
Over 365 days	**17,403**	24,105
	83,658	86,714

13. BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB139,000,000 (unaudited) (30 June 2017: RMB255,000,000 (unaudited)). The loans carry interest at fixed market rates of 4.57% - 7.5%. The proceeds were used to finance the daily operation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the six months ended 30 June 2018, the Group achieved a turnover of approximately RMB226,292,000 (2017: RMB192,905,000), representing an increase of approximately 17% over the same period last year. During the period, profit attributable to the shareholders was approximately RMB12,196,000 (2017: RMB12,138,000), representing an increase of approximately 0.5% as compared to the same period last year. Earnings per share maintained at RMB1.47 cent.

During the period, the revenue from outdoor advertising media dissemination business, terminal dissemination service, media production and art trading business accounted for approximately 48.66% (2017: 42.64%), 50.97% (2017: 56.1%), 0.37% (2017: 1.23%) and nil (2017: 0.03%) of the Group's turnover respectively. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: nil).

MEDIA DISSEMINATION BUSINESS

During the Period under Review, the Group's media dissemination business recorded a turnover of approximately RMB110,117,000, representing an increase of approximately 34% over the same period last year and accounting for 48.66% 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 in 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 RMB115,335,000 (2017: RMB108,223,000), representing an increase of approximately 7% over the same period last year and accounting for approximately 50.97% 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 its customer base 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 RMB840,000 (2017: RMB2,363,000), representing a decrease of approximately 65% over the same period last year and accounting for approximately 0.37% 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 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 expanding its business volume and continuously cooperates 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 12 January 2018, the Group was rated as an AAA grade credit rating enterprise.

OUTLOOK

In recent years, economic growth continued to slow down, resulting in the increasingly strong need to transform and upgrade the industry. Broader consumption and technological upgrading became a base-level driving force supporting the sustainable healthy development of the cultural and media industry, the media industry entered the phase of medium to long term prosperity. Meanwhile, the State government unveiled a range of supportive and regulatory policies to better facilitate the healthy and rapid development of the media industry, encouragement measures and guidance opinions for long-term stable development of the media industry were provided accordingly, which would have an active driving effect and a guiding effect on media development.

The Group maintains an optimistic view on future development. The Group has been expanding customer resources constantly and achieved a change in customer type successfully. In future, the Group will continue to further expand the scope of business, consolidate resources, formulate a platform strategy and dedicate persistent efforts for the Group's development.

FINANCIAL REVIEW

TURNOVER

Turnover of the Group for the Period under Review was approximately RMB226,292,000 (2017: RMB192,905,000), increasing by approximately 17% when compared with the corresponding period last year.

GROSS PROFIT

During the Period under Review, gross profit margin was approximately 23.4%, decreased by 4.5 percentage points when compared with 27.9% 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 decreased by 22% when compared with the corresponding period last year.

FINANCE COSTS

During the Period under Review, finance costs were approximately RMB8,006,000 (2017: RMB5,711,000), increasing by 40% when compared with the corresponding period last year.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: 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 2018, 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 2018, net current asset was approximately RMB269,132,000 (31 December 2017: RMB242,740,000).

As at 30 June 2018, bank balances and cash and structured bank deposits and pledged bank deposit held by the Group amounted to approximately RMB62,898,000 (31 December 2017: RMB203,355,000), all of which were denominated in RMB. Borrowings amounted to approximately RMB308,047,000 (31 December 2017: RMB324,740,000). Net debt-to-adjusted capital ratio was approximately 38%, 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 RMB649,760,000 (31 December 2017: RMB513,810,000) (31 December 2017: net debt-to-adjusted capital ratio was approximately 24%).

As at 30 June 2018, all of the Group's bank borrowings amounted to approximately RMB308,047,000 (31 December 2017: RMB323,047,000) and were arranged at fixed interest rate ranging from 4.57% to 7.5% (31 December 2017: 4.57% 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.

SIGNIFICANT INVESTMENT

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

MATERIAL ACQUISITION AND DISPOSAL

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

STAFF

As at 30 June 2018, the Group had about 390 (2017: 440) full-time staff. During the Period under Review, staff cost was approximately RMB15,380,000 (2017: RMB19,090,000). 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, workloads, 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 2018, bank deposits of the Group of approximately RMB10,000,000 (31 December 2017: RMB10,000,000) were pledged as security for the Group's borrowings.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no material contingent liabilities (31 December 2017: 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 5.48 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 2018.

A. INTERESTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

As at 30 June 2018, 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 *(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 (L)	67.92%	47.46%
Zhang Ge	Beneficial owner	71,800,000 Domestic Shares (L)	12.37%	8.66%
Huang Hongxing	Beneficial owner and interest of a controlled corporation *(Note 3 and 4)*	54,050,000 Domestic Shares (L)	9.32%	6.51%
	Interest deemed under sections 317(1) (a) and 318 of the SFO *(Note 5)*	10,200,000 Domestic Shares (L)	1.76%	1.23%
He Lianyi	Beneficial owner	6,400,000 Domestic Shares (L)	1.10%	0.77%
	Beneficial owner and interest deemed under sections 317(1) (a) and 318 of the SFO *(Note 4 and 5)*	57,850,000 Domestic Shares (L)	9.98%	6.97%
Wang Qinghua	Beneficial owner	50,000,000 Domestic Shares (L)	8.62%	6.02%
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 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 directly held by Mr. He Lianyi and Ms. Wang Mingmei; Mr. He Lianyi was deemed to be interested in 3,800,000 Domestic Shares directly held by Ms. Wang Mingmei; Ms. Wang Mingmei was deemed to be interested in 6,400,000 Domestic Shares directly held by Mr. He Lianyi and Mr. Xue Guiyu was deemed to be interested in 6,400,000 and 3,800,000 Domestic Shares respectively and directly held by Mr. He Lianyi and Ms. Wang Mingmei.

(ii) the associated corporations

Name of Director/ Supervisor	**Name of the associated corporation**	**Capacity**	**Number and class of securities** *(Note 1)*	**Approximate percentage of shareholding in the issued share capital of the associated corporation**
He Chaobing	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 2018.

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

As at 30 June 2018, 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 *(Note 1)*	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 *(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%

Notes:

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

2. Ms. Yan Fen is the wife of Mr. He Chaobing and is deemed to be interested in the shares in which Mr. He is interested under the provision of Divisions 2 and 3 of Part XV of the SFO.

3. The interests in 54,050,000 domestic shares were directly held through Shengshi Huacheng, and Shengshi Huacheng was established by the Eligible Participants of the Share Purchase Scheme with their own capitals as the platform for acquiring, holding or selling the Scheme Shares under the Share Purchase Scheme. As at 30 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 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 disclosed aboved, as at 30 June 2018, 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 2018:

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. Han Jianmin and Ms. Fu Jie. 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
13 August 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. Han Jianmin and Ms. Fu Jie, being the independent non-executive Directors, and Mr. He Lianyi, Mr. He Pengjun, Mr. Wang Qinghua and Mr. Zhang Ge, being the non-executive Directors.

* *For identification purpose only*