

2018

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 2018, the Group realised a turnover of approximately RMB341,510,000 (2017: RMB349,176,000), representing a decrease of approximately 2.2% over the same period of 2017.
- Gross turnover of the Group for the nine months ended 30 September 2018 was mainly from media dissemination, terminal dissemination service, media production and art trading, representing approximately 48.52% (2017: 53.42%), 51.21% (2017: 45.53%), 0.27% (2017: 1.03%) and 0% (2017: 0.02%) of the gross turnover, respectively.
- For the nine months ended 30 September 2018, loss attributable to the owners of the Company was approximately RMB42,962,000 (2017: profit of approximately RMB15,393,000), representing a decrease of approximately 379.1% over the same period of 2017.
- Loss per share were approximately RMB5.18 cent (2017: profit of approximately RMB1.85 cent).
- The Board did not recommend the payment of a quarterly dividend for the nine months ended 30 September 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 condensed consolidated results of the Company and its subsidiaries (together the “Group”) for the nine months ended 30 September 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	Nine months ended 30 September		Three months ended 30 September	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue	3	341,510	349,176	115,218	156,271
Cost of sales		(327,935)	(273,719)	(154,689)	(134,676)
Gross profit		13,575	75,457	(39,471)	21,595
Other income, expenses and other gains and losses		1,281	933	1,110	50
Selling and distribution expenses		(19,247)	(22,096)	(6,539)	(7,485)
Administrative expenses		(14,348)	(16,492)	(4,611)	(4,087)
Research and development costs		(11,877)	(11,031)	(3,282)	(3,211)
Finance costs	5	(12,249)	(8,862)	(4,243)	(3,151)
Profit before tax		(42,865)	17,909	(57,036)	3,711
Income tax expenses	6	(22)	(2,520)	1,993	(410)
Profit for the period	7	(42,887)	15,389	(55,043)	3,301
Profit (loss) for the period attributable to:					
Owners of the Company		(42,962)	15,393	(55,158)	3,255
Non-controlling interests		75	(4)	115	46
		(42,887)	15,389	(55,043)	3,301
Earnings per share					
– Basic (RMB per share)	9	(5.18) cent	1.85 cent	(6.65) cent	0.39 cent

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 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 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	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Income from the media dissemination business	165,697	186,562	55,580	104,302
Income from terminal dissemination service business	174,900	158,965	59,565	50,742
Income from media production business	913	3,590	73	1,227
Income from art trading business	—	59	—	—
	<u>341,510</u>	<u>349,176</u>	<u>115,218</u>	<u>156,271</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
For the nine months ended 30 September 2018 (unaudited)					
Segment revenue:					
Sales to external customers	165,697	913	174,900	—	341,510
Reportable segment results	(34,206)	52	47,729	—	13,575
Other income, expenses and other gains and losses					1,281
Selling and distribution expenses					(19,247)
Administrative expenses					(14,348)
Research and development costs					(11,877)
Finance costs					(12,249)
Profit before tax					(42,865)
For the nine months ended 30 September 2017 (unaudited)					
Segment revenue:					
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

5. FINANCE COSTS

	Nine months ended 30 September		Three months ended 30 September	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Interest on:				
– bank borrowings	12,138	8,733	4,229	3,119
– endorsed bills borrowings	—	—	—	—
– bank charges	111	129	14	32
	<u>12,249</u>	<u>8,862</u>	<u>4,243</u>	<u>3,151</u>

6. INCOME TAX EXPENSE

	Nine months ended 30 September		Three months ended 30 September	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
PRC Enterprise Income Tax ("EIT"):				
Current period	21	2,413	(1,993)	410
Under (over) provision in prior periods	1	107	—	—
	<u>22</u>	<u>2,520</u>	<u>(1,993)</u>	<u>410</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 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 the three periods.

7. PROFIT FOR THE PERIOD

	Nine months ended 30 September		Three months ended 30 September	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging:				
Impairment losses recognised on trade receivables	—	1,266	—	(93)
Research and development costs	11,877	11,031	3,282	3,211
Depreciation of property, plant and equipment	16,520	19,318	5,272	6,332
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	(215)	(41)	(196)	(67)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Earnings				
Profit attributable to the owners of the Company	(42,962)	15,393	(55,158)	3,255
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	830,000	830,000	830,000	830,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

No diluted earnings per share is presented for the period ended 30 September 2018 and 30 September 2017 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 2018	83,000	97,252	36,328	(48,289)	224,124	392,415
Total comprehensive income for the period	—	—	—	—	(42,962)	(42,962)
As at 30 September 2018	<u>83,000</u>	<u>97,252</u>	<u>36,328</u>	<u>(48,289)</u>	<u>181,162</u>	<u>349,453</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 2018, the Group achieved a turnover of approximately RMB341,510,000 (2017: RMB349,176,000), representing a decrease of approximately 2.2% over the same period last year. During the period, loss attributable to the shareholders was approximately RMB42,962,000 (2017: profit of approximately RMB15,393,000), representing a decrease of approximately 379.1% over the same period last year. Loss per share was approximately RMB5.18 cent (2017: profit of approximately RMB1.85 cent).

The decrease in turnover was mainly due to respective litigation of Bank of Guangzhou Co., Ltd.*(廣州銀行股份有限公司), Nanjing branch and Shanghai Pudong Development Bank Co., Ltd., Nanjing branch with the Group. The lawsuits led to attachment and freezing of certain properties of the Group and freezing of the bank operating accounts, while cancellation of orders by the customers generated vacancy of a number of media, which had affected our business operation. Since the number of self-owned media of the Group decreased during the early stage, external media resources from various channels were integrated to maintain competitiveness, which increased operating costs, and the turnover from media dissemination business for the past three months decreased by approximately RMB49,000,000 when compared with the corresponding period last year. Therefore, loss was resulted from decrease in profit.

During the period, the revenue from outdoor advertising media dissemination business, terminal dissemination service, media production and art trading business accounted for approximately 48.52% (2017: 53.42%), 51.21% (2017: 45.53%), 0.27% (2017: 1.03%) and 0% (2017: 0.02%), respectively, of the Group's turnover. The Board does not recommend the payment of a quarterly dividend for the nine months ended 30 September 2018 (2017: nil).

MEDIA DISSEMINATION BUSINESS

During the Period under Review, the Group's media dissemination business recorded a turnover of approximately RMB165,697,000 (2017: RMB186,562,000), representing a decrease of approximately 11.2% over the same period last year and accounting for 48.52% of the Group's total turnover.

The major cause for the decrease in turnover was the cancellation of orders and the inability to cooperate with potential customers due to the litigations between banks and the Group, which affected its media dissemination business in the third quarter. 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 Group's major customers came from various industries such as fast-moving consumer goods, media, real estate, finance and tourism.

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 RMB174,900,000 (2017: RMB158,965,000), representing an increase of approximately 10% over the same period last year and accounting for approximately 51.21% of the Group’s total turnover.

MEDIA PRODUCTION BUSINESS AND ART TRADING BUSINESS

During the Period under Review, the turnover of the Group’s media production business was approximately RMB913,000 (2017: RMB3,590,000), representing a decrease of approximately 74.6% over the same period last year and accounting for approximately 0.27% of the Group’s total turnover.

During the period, the turnover of the Group’s art trading was nil (2017: RMB59,000).

AWARDS AND HONOURS

DAHE GROUP

On 12 January 2018, the Group was rated as an “AAA” grade credit rating enterprise.

OUTLOOK

For the respective litigation of the Company with Bank of Guangzhou and Shanghai Pudong Development Bank Co., Ltd., the Company is seeking legal advice from its legal counsel to understand the appropriate actions taken by the Company against such matter. In light of the extent and scope of impact from such litigation, there will be an on-going impact on the operating results and profit of the Company.

FINANCIAL REVIEW

TURNOVER

Turnover of the Group for the Period under Review was approximately RMB341,510,000 (2017: RMB349,176,000), decreased by approximately 2.2% when compared with the corresponding period last year.

GROSS PROFIT

During the Period under Review, gross profit margin was approximately 4%, decreased by 17.6 percentage points when compared with 21.6% 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 expand its media portfolio. The litigation between the bank and the Group had affected our business operation.

SELLING AND DISTRIBUTION EXPENSES

During the Period under Review, selling and distribution expenses decreased by 12.9% when compared with the corresponding period last year.

ADMINISTRATION EXPENSES

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

FINANCE COSTS

During the Period under Review, finance costs were approximately RMB12,249,000 (2017: RMB8,862,000), increased by 38.2% 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 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 September 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 September 2018, net current asset was approximately RMB237,908,000 (31 December 2017: RMB242,740,000).

As at 30 September 2018, bank balances and cash and pledged bank deposit held by the Group amounted to approximately RMB11,424,000 (31 December 2017: RMB203,355,000), all of which were denominated in RMB. Borrowings amounted to approximately RMB310,819,000 (31 December 2017: RMB324,740,000). Net debt-to-adjusted capital ratio was approximately 46%, 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 RMB648,848,000 (31 December 2017: RMB513,810,000) (31 December 2017: net debt-to-adjusted capital ratio was approximately 24%).

As at 30 September 2018, all of the Group's bank borrowings amounted to RMB310,819,000 (31 December 2017: RMB323,047,000) and were arranged at fixed interest rate ranging from 4.57% to 9.5% (31 December 2017: 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 2018, the Group had about 307 (2017: 420) full-time staff. During the Period under Review, staff cost was approximately RMB22,210,000 (2017: approximately RMB21,450,000). Because of the litigations between banks and the Group, its business operations were affected. Staff resignations of each branch were more in September.

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 2018, the Group had no bank deposits (31 December 2017: RMB10,150,000) were pledged as security for the Group's borrowings.

CONTINGENT LIABILITIES

As at 30 September 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.

MATERIAL LITIGATION

Shanghai Pudong Development Bank Co., Ltd. Nanjing Branch made an application to the court for preservation of properties, and requested to preserve the properties with a value of RMB21,000,000 held by the Company, Dahe Investment Holdings Group, Co., Ltd. (大賀投資控股集團有限公司) ("Dahe Investment") and in the name of Mr. He Chaobing, the court gave the following ruling: an order to attach, freeze and sequester the properties with a value of RMB21,000,000 owned by the respondent Dahe Media Co., Ltd., Dahe Investment and in the name of Mr. He Chaobing.

The Company entered into a credit agreement with the Bank of Guangzhou on 5 September 2017 with a maximum credit limit of RMB30,000,000, the Bank of Guangzhou released a working capital loan of RMB30,000,000 to the Company on 11 September 2017 for a term of one year. On 30 July 2018, the Bank of Guangzhou declared early maturity for all loan agreements, and requested the court to order that: the Company shall repay loan principal plus interest in the amount of RMB30,039,875, and Dahe Investment and Mr. He Chaobing shall undertake joint and several liabilities for repayment.

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 2018.

A. INTERESTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

As at 30 September 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/ 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%
Wang Qinghua	Beneficial owner	50,000,000 Domestic Shares (L)	8.62%	6.02%
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%

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
Supervisors				
Wang Mingmei	Beneficial owner	3,800,000 Domestic Shares (L)	0.66%	0.46%
	Beneficial owner and interest deemed under sections 317(1) (a) and 318 of the SFO <i>(Note 4 and 5)</i>	60,450,000 Domestic Shares (L)	10.42%	7.28%
Wang Jian	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%
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 2018, each of Mr. Huang Hongxing, Mr. He Lianyi, Ms. Wang Mingmei, Mr. Wang Jian and Mr. Xue Guiyu held 23.755%, 11.5%, 0.5%, 2% 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. Wang Jian and Mr. Xue Guiyu were 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 (Note 1)	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 2018.

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

As at 30 September 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 <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.

2. Ms. Yan Fen is the wife of Mr. He Chaobing and is deemed to be interested in the shares in which Mr. He is interested under the provision of Divisions 2 and 3 of Part XV of the SFO.
3. The interests in 54,050,000 Domestic Shares were directly held through Shengshi Huacheng, and Shengshi Huacheng was established by the Eligible Participants of the Share Purchase Scheme with their own capitals as the platform for acquiring, holding or selling the Scheme Shares under the Share Purchase Scheme. As at 30 September 2018, 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, Mr. Wang Jian and Mr. Xue Guiyu were Supervisors of the Company.

Save as disclosed above, as at 30 September 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 nine months ended 30 September 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.

Mr. Han Jianmin and Ms. Fu Jie has resigned as independent directors of the Company with effect from 21 August 2018 for their personal reasons. Mr. Huang Hongxing has resigned as an executive director of the Company with effect from 23 October 2018 for his personal and family reasons.

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 shall comprise three independent non-executive Directors, but Mr. Han Jianmin and Ms. Fu Jie resigned as independent Director of the Company on 21 August 2018 due to personal matters and, as a result of the resignations of such two independent non-executive Directors, the audit committee is having fewer members than required. The Company is seeking suitable candidates to serve as independent Directors and further announcements will be made in due course. 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 2018

As at the date of this report, the Board comprises Mr. He Chaobing, being the executive director, Mr. Xu Haoran, being the independent non-executive director, and Mr. He Lianyi, Mr. He Pengjun, Mr. Wang Qinghua and Mr. Zhang Ge being the non-executive directors.

* *For identification purpose only*