

THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)
(the “Exchange”)

22 June 2009

The GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the “GEM Listing Committee”) censures the following parties for breaching the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”):

- 1. Dahe Media Co., Ltd. (the “Company”) (Stock code: 8243);**
- 2. Mr He Chaobing, an executive director of the Company (“Mr CB He”); and**
- 3. Ms Wang Weijie, a former executive director of the Company, resigned effective 26 February 2008 (“Ms Wang”).**

Further, the GEM Listing Committee criticises the following parties for breaching the GEM Listing Rules:

- 1. Mr He Lianyi, a non-executive director of the Company (“Mr LY He”);**
- 2. Mr Li Huafei, a non-executive director of the Company (“Mr HF Li”);**
- 3. Ms Viveca Chan E Nam, a former non-executive director of the Company, retired effective 20 May 2009 (“Ms Chan”);**
- 4. Mr Xu Xiang, a former non-executive director of the Company, resigned effective 8 November 2007 (“Mr Xu”);**
- 5. Mr Li Yijing, a former independent non-executive director of the Company, resigned effective 31 December 2008 (“Mr YJ Li”);**
- 6. Mr Qiao Jun, a former independent non-executive director of the Company, resigned effective 31 December 2008 (“Mr Qiao”);**
- 7. Mr Shen Jin, a former independent non-executive director of the Company, resigned effective 31 December 2008 (“Mr Shen”); and**
- 8. Mr Cheng Zhiming, a former independent non-executive director of the Company, resigned effective 8 November 2007 (“Mr Cheng”).**

On 27 March 2009, the GEM Listing Committee conducted a hearing into the conduct of the Company and Mr CB He, Ms Wang, Mr LY He, Mr HF Li, Ms Chan, Mr Xu, Mr YJ Li, Mr Qiao, Mr Shen and Mr Cheng (collectively, the “Relevant Directors”) in relation to their respective obligations under the GEM Listing Rules and the Director’s Declaration, Undertaking and Acknowledgement given by each of the Relevant Directors to the Exchange in the form set out in Appendix 6 Form B Part 2 of the GEM Listing Rules (the “Director’s Undertaking”).

Facts

At the material time, the Company had a 60 per cent interest in Chongqing Dahe Basu Media Co., Ltd. (“Dahe Basu”). The remaining 40 per cent interest was owned by Chongqing Basu Art Co., Ltd. (“Basu Art”). Dahe Basu was principally engaged in design, printing and production of outdoor advertising products and dissemination of outdoor advertisements by renting outdoor advertising space in Chongqing, the PRC. Dahe Basu contributed 8 per cent and 18 per cent respectively to the Group’s profit in 2004 and 2005 and was therefore a major subsidiary of the Company.

On or about 25 June 2006, the Company received a summons dated 22 June 2006 issued by the relevant PRC Court in relation to an application for liquidation of Dahe Basu by Basu Art (the “Liquidation Application”). Mr CB He was informed of the Liquidation Application in late June 2006 but he only informed the other Relevant Directors of the same in around May 2007. A number of court hearings were held between October 2006 and February 2007 in relation to the Liquidation Application. The relevant PRC Court pronounced the liquidation of Dahe Basu on 14 March 2007 (the “Liquidation Order”) and appointed the liquidation committee on 15 May 2007.

The Company did not inform the Exchange or make an announcement about the Liquidation Application on or shortly after 25 June 2006. Between April and September 2007, the Company published its annual report for the year ended 31 December 2006, the results for the three months ended 31 March 2007, the results for the six months ended 30 June 2007, the announcement of 26 July 2007 and the announcements of 21 and 27 September 2007 (collectively, the “Various Publications”). Although the Various Publications contained some scant disclosure in relation to the liquidation of Dahe Basu, they did not reflect the situation as known to the Company as of the relevant dates. It was only 15 months later after enquiries from the Division that the Company submitted to the Exchange, on 25 September 2007, a draft announcement disclosing, inter alia, the fact that Dahe Basu was a major subsidiary of the Company and the PRC Court had on 15 May 2007 appointed a liquidation team in respect of the liquidation of Dahe Basu. On 27 September 2007, the Company published the announcement.

The Listing Division alleged that the Company breached Rules 17.27(1), 17.10 and 17.56 of the GEM Listing Rules. The Listing Division further alleged that: (a) Mr CB He breached Rule 5.20; and (b) each of the Relevant Directors breached his or her Director’s Undertaking.

Decision

The GEM Listing Committee concluded that:

- (1) the Company breached the following GEM Listing Rules:
 - (a) Rule 17.27(1) in failing to inform the Exchange and make an announcement as soon as the Liquidation Application came to its attention on or shortly after 25 June 2006;

- (b) Rule 17.10 in failing to make timely disclosure of the Liquidation Application and the subsequent key developments in the liquidation proceedings, including the court hearings and their outcomes, the making of the Liquidation Order and the formation of the liquidation committee; and
 - (c) Rule 17.56 in publishing the Various Publications which were not complete in all material respects.
- (2) Each of the Relevant Directors breached the Director's Undertaking for failing to comply with the GEM Listing Rules to the best of his or her ability and/or to use his or her best endeavours to procure the Company's compliance with the GEM Listing Rules; and
 - (3) Mr CB He breached Rule 5.20 of the GEM Listing Rules for failing to advise and assist the Board in implementing procedures to ensure the Company's compliance with the GEM Listing Rules.

The GEM Listing Committee decided to impose: (a) a public censure on each of the Company, Mr CB He and Ms Wang; and (b) a public statement which involves criticism on each of Mr LY He, Mr HF Li, Ms Chan, Mr Xu, Mr YJ Li, Mr Qiao, Mr Shen and Mr Cheng for their respective breaches mentioned above.

The GEM Listing Committee took the view that:

- 1. the compliance function should be exercised independently of Mr CB He or the chairman of the Company; and
- 2. Mr CB He should ensure that the non-executive directors and independent non-executive directors of the Company perform their functions properly.

Further, the GEM Listing Committee directed as follows:

- 1. the Company retain an independent professional adviser satisfactory to the Division (the "Adviser") to conduct a thorough review of and make recommendations to improve the Company's internal controls; and provide the Division and the investing public with the written report of the Adviser within two months of 22 June 2009;
- 2. the Company furnish the Division and the Company's shareholders with the Adviser's written report on the Company's full implementation of the Adviser's recommendations and a detailed terms of reference of the Audit Committee which complies with paragraph C.3.3 of Code on Corporate Governance Practices at Appendix 15 of the GEM Listing Rules within a further period of two months;
- 3. the Company appoint a Compliance Adviser satisfactory to the Division to provide guidance to the Company on compliance matters under Rule 6A.20 for a period of two years, the appointment to be made within one month after 22 June 2009;

4. Mr CB He, Mr LY He and Mr HF Li undergo 24 hours of training on GEM Listing Rules compliance and Directors' duties to be given by the Hong Kong Institute of Directors, Hong Kong Institute of Chartered Secretaries or any other recognized professional organization satisfactory to the Division within six months from 22 June 2009. The Company should provide the Division with the training provider's written certification within two weeks after full compliance with this training requirement by them; and
5. as a pre-requisite of any future appointment(s) as a director of any company listed on the Exchange, each of Ms Wang, Ms Chan, Mr Xu, Mr YJ Li, Mr Qiao, Mr Shen and Mr Cheng must first obtain training on GEM Listing Rules compliance and Director's duties for at least 24 hours; such training should be provided by training provider(s) acceptable to the Division and evidence of completion of the training to be furnished to the Division.