

INTERIM REPORT 2004



* For identification purposes only



南京大贺户外传媒股份有限公司
Nanjing Dahe Outdoor Media Co., Ltd.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

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This report, for which the directors (the “Directors”) of 南京大賀戶外傳媒股份有限公司 (Nanjing Dahe Outdoor Media Co., Ltd.) (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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SUMMARY

- For the six months ended 30th June, 2004, a turnover of approximately RMB90.43 million was achieved, which was increased by approximately 21.60% as compared with the corresponding period of 2003
- For the six months ended 30th June, 2004, a net profit of approximately RMB9.90 million was achieved
- The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2004



CONSOLIDATED INCOME STATEMENT

	Unaudited For the three months ended 30th June 2004 RMB'000	Unaudited 2003 RMB'000	Unaudited For the six months ended 30th June 2004 RMB'000	Unaudited 2003 RMB'000
Turnover	55,087	41,813	90,427	74,366
Cost of sales	(36,156)	(25,770)	(59,746)	(47,614)
Gross profit	18,931	16,043	30,680	26,752
Other revenue	205	217	669	1,191
Distribution and selling costs	(5,395)	(4,153)	(9,701)	(8,514)
Administrative expenses	(4,783)	(3,378)	(9,112)	(7,477)
Profit from operations	8,958	8,729	12,536	11,953
Finance costs	(365)	(157)	(660)	(381)
Profit before taxation	8,593	8,572	11,876	11,572
Taxation	(1,379)	(1,293)	(1,879)	(1,757)
Net profit before minority interests	7,214	7,279	9,997	9,815
Minority interests	(177)	2	(132)	8
Net profit attributable to shareholders	7,037	7,281	9,865	9,823
Earnings per share-Basic	0.85cents	1.26cents	1.19cents	1.69cents

Note: Calculation of the earnings per share in 2004 and 2003 was based on 830,000,000 shares and 580,000,000 shares respectively.



CONSOLIDATED BALANCE SHEET

	Unaudited As at 30th June, 2004 RMB'000	Audited As at 31st December, 2003 RMB'000
Non-current assets		
Property, plant and equipment	224,723	129,016
Construction in progress	—	32,605
Intangible assets	5,077	5,329
Finance lease receivables	—	171
	<u>229,800</u>	<u>167,121</u>
Current assets		
Investment securities	2,019	—
Inventories	11,173	8,053
Trade and note receivables	27,219	18,055
Deposits, prepayments and other receivables	64,698	17,702
Cash and bank balances	100,216	129,333
	<u>205,325</u>	<u>173,143</u>
Current liabilities		
Bank loans	135,000	75,000
Trade and note payables	7,611	8,336
Other payables, advanced payment and accruals	15,658	11,071
Deferred advertising income	8,451	5,383
Provisions for tax and levies	2,628	3,025
Amount due to a related company	—	1,032
	<u>(169,348)</u>	<u>(103,847)</u>



CONSOLIDATED BALANCE SHEET (Continued)

	Unaudited	Audited
	As at	As at
	30th June,	31st December,
	2004	2003
	RMB'000	RMB'000
Net current assets	35,976	69,296
Total assets less current liabilities	265,776	236,417
Non-current liabilities		
Other payables	(995)	(1,200)
Minority interests	(26,527)	(1,729)
Net assets	238,254	233,488
Capital and reserves		
Share capital	83,000	83,000
Reserves	155,254	150,488
Shareholders' funds	238,254	233,488



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Staff welfare reserve RMB'000	Retained profits RMB'000	Total reserves RMB'000	Total RMB'000
At 1st January, 2003	58,000	82	—	3,097	1,549	31,397	36,125	94,125
Profit for the period	—	—	—	—	—	9,823	9,823	9,823
At 30th June, 2003	58,000	82	—	3,097	1,549	41,220	45,948	103,948
New issue of H shares on public listing	25,000	116,324	—	—	—	—	116,324	141,324
Share issue expenses	—	(20,661)	—	—	—	—	(20,661)	(20,661)
Profit for the period	—	—	—	—	—	24,500	24,500	24,500
Dividend declared and paid	—	—	—	—	—	(5,800)	(5,800)	(5,800)
Transfer	—	—	—	2,953	1,476	(4,429)	—	—
At 31st December, 2003	83,000	95,745	—	6,050	3,025	45,668	150,488	233,488
Acquisition of a subsidiary	—	—	177	—	—	—	177	177
Profit for the period	—	—	—	—	—	9,865	9,865	9,865
Dividend declared and paid for the period	—	—	—	—	—	(5,277)	(5,277)	(5,277)
At 30th June, 2004	83,000	95,745	177	6,050	3,025	50,257	155,254	238,254



CONSOLIDATED CASH FLOW STATEMENT

	Unaudited For the six months ended 30th June, 2004 RMB'000	Audited For the year ended 31st December, 2003 RMB'000
Cash flows from operating activities	(25,131)	33,265
Cash flows from taxation	(7,055)	(1,195)
Cash flows from investing activities	(48,844)	(44,836)
Cash flows from financing activities	<u>51,913</u>	<u>128,479</u>
Net (decrease)/increase in cash and cash equivalents	(29,117)	115,713
Cash and cash equivalents at the beginning of period	<u>129,333</u>	<u>13,620</u>
Cash and cash equivalents at the end of period	<u><u>100,216</u></u>	<u><u>129,333</u></u>



Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed interim accounts are prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) 25 – “Interim financial reporting”, issued by the Hong Kong Society of Accountants (the “HKSA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

These condensed interim accounts should be read in conjunction with the 2003 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the 2003 annual accounts.

2. TURNOVER

Turnover by segments

	Unaudited	
	For the six months ended 30th June	
	2004	2003
	RMB'000	RMB'000
Outdoor advertisement design and production fees		
Printed posters	57,181	58,879
Electronic media (LED displays)	302	4,666
Sale of lamps for outdoor advertisement	4,259	3,422
Advertising income from the renting of outdoor advertising space	28,685	7,399
	<u>90,427</u>	<u>74,366</u>

3. TAX

	Unaudited	
	For the six months ended 30th June	
	2004	2003
	RMB'000	RMB'000
PRC income tax	<u>1,879</u>	<u>1,757</u>



4. TRADE RECEIVABLES

The aged analysis of trade receivables is as follows:

	Unaudited As at 30th June, 2004 RMB'000	Audited As at 31st December, 2003 RMB'000
0-90 days	19,150	12,794
91-180 days	2,868	2,716
181-365 days	3,115	1,468
Over 365 days	2,066	903
	<hr/> 27,199 <hr/> <hr/>	<hr/> 17,881 <hr/> <hr/>

5. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	Unaudited As at 30th June, 2004 RMB'000	Audited As at 31st December, 2003 RMB'000
0-90 days	6,841	5,551
91-180 days	46	1,117
181-365 days	8	1,296
Over 365 days	28	372
	<hr/> 6,923 <hr/> <hr/>	<hr/> 8,336 <hr/> <hr/>



INTERIM RESULTS

The board of Directors (the “Board”) of Nanjing Dahe Outdoor Media Co., Ltd. (the “Company”) is pleased to announce the unaudited combined operating results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2004.

For the six months ended 30th June, 2004, unaudited turnover of the Group was RMB90.43 million, which was increased by approximately RMB16.06 million, or approximately 21.60% as compared with the corresponding period of 2003.

As at 30th June, 2004, unaudited net profit of the Group was approximately RMB9.90 million, which was increased by approximately 0.81% when compared with the corresponding period of 2003. Due to an extraordinary gain of RMB0.99 million that was included in the unaudited net profit as at 30th June, 2004, the unaudited net profit as at 30th June, 2004 was actually increased by 10.89% when compared with the corresponding period of 2003.

BUSINESS REVIEW

For the six months ended 30th June, 2004, turnover of the Group was approximately RMB90.43 million, which was increased by 21.60% as compared with the corresponding period of last year. Net profit was approximately RMB9.90 million during the period, which was increased by 0.81% as compared with the corresponding period of last year. Turnover from renting out outdoor advertising space represented approximately 31.72% (2003: 9.9%) of the total turnover. Turnover from the design and production of outdoor advertisements represented approximately 67.94% (2003: 83.78%) of the total turnover. Turnover arisen from new outdoor advertising media, such as LED-based electronic displays and multi-media advertising systems, etc, accounted for approximately 0.33% of the total turnover. Due to the downward trend of overall unit price of the production business, income decreased by 7.8% as compared with the corresponding period of last year.



DISSEMINATION OF OUTDOOR ADVERTISING BUSINESS

For the six months ended 30th June, 2004, turnover from renting out outdoor advertising space to customers reached approximately RMB28.685 million (2003: RMB7.40 million), which was up by 2.9 times as compared with the corresponding period of last year. During the year under review, with the aggressive marketing strategies to widen the sales network, and focus on further development of outdoor media, the Group successfully transformed into a multi-regional outdoor advertising provider in the PRC.

During the period, in addition to securing the outdoor advertisement dissemination right directly, the Group also planned to expand the business through entering into strategic partnership arrangement. After successfully obtaining the outdoor advertisement dissemination right in Beijing, Shanghai, Xinjiang, Chengdu, Jiangxi, Hangzhou, Kunming and Jiangsu in the first quarter, the Company established joint ventures in Chongqing in May and Chengdu of Xichuan in June. The Group invested approximately RMB40,000,000 in aggregate in the joint venture in Chongqing, of which, approximately RMB24,000,000 was contributed by Dahe, representing 60% equity interest of the joint venture, enjoying an aggregate outdoor advertising space of up to 25,000 sq.m., including, inter alia, the dissemination right of light boxes in the airport and along the highway express of Chongqing. As at the end of December, 2004, additional outdoor advertising space of 29,000 sq.m. is expected.

The Company, together with 成都市新天傑廣告有限責任公司 (Changdu City Xin Tian Jie Advertising Co. Ltd.) and 重慶大賀巴蜀傳媒有限公司 (Chongqing Dahe Ba Shu Media Co. Ltd.) established another joint venture, 四川新天傑傳媒科技發展有限責任公司 (Xichuan Xin Tian Jie Media Technology Development Co. Ltd.), with total investment cost of approximately RMB20 million, among which Dahe invested approximately RMB10 million, representing 50% of equity interest of the joint venture, enjoying the dissemination right of an aggregate outdoor advertising space of approximately 19,000 sq.m. After the establishment of the joint ventures, total outdoor advertising space owned by the Group will reach approximately 126,000 sq.m.

In addition, during the period, according to the Letter of Intention signed with 北京千禧安康國際傳媒廣告有限公司 (Beijing Qian Xi An Kang International Media Co. Ltd.), the Group invested in it as a substantial shareholder and responsible for the project “安康宣傳欄 (An Kang Advertising Board)”. The Group thus become the qualified outdoor advertising media serving communities and schools in the cities of the PRC. The Group intends to develop 30,000 An Kang Advertising Boards, which form an outdoor advertising media network within communities with aggregate advertising space of over 500,000 sq.m. throughout the PRC within three years.



DESIGN AND PRODUCTION OF OUTDOOR ADVERTISING BUSINESS

By leveraging on the well-equipped and advanced production facilities and experienced staff, the Group designed and produced diversified outdoor advertising products for the customers. On the one hand, the Group further optimized the workflow and reduced the cost expenditure. On the other hand, the Group continued the implementation of the marketing strategy, so as to secure for businesses of providing production services to high-end customers throughout the PRC. During the period under review, this business generated a turnover of RMB61.44 million in aggregate, representing approximately 67.94% (2003: 83.78%) of the total turnover.

LED-BASED ELECTRONIC MEDIA BUSINESS

LED-based electronic displays are the high value-added products and services provided by the Group. Currently, the Group has been making certain adjustments to the structures of products and staff of LED-based electronic advertising business as result of changes in the market, which is still pending completion. As a result, as an electronic advertising business, LED-based electronic displays represented approximately 0.33% of turnover or approximately RMB302,000, which was decreased by one time as compared with the corresponding period of 2003.

The Board believes that the long-term development of LED-based electronic advertising business will be benefited by the essential adjustments made to the structures of products and staff, although the business was obviously affected during this period.

CUSTOMER BASE

At present, the customer base of the Group has been broadened up to approximately 4,000, spreading over a wide spectrum of industries such as consumer products, telecommunications, household appliances, information technology, food and beverage, automobile and crude oil etc. Meanwhile, the Group focuses on the exploration of high-end high quality customer groups and the provision of a "one-stop" service in design, production and dissemination to the customers. During the period of review, the Group and 韓國雙龍自動車株式會社 (Ssangyong Motor Co., Ltd.) concluded a cooperative agreement for the project "韓國雙龍汽車 CI 改造並中國銷售廳設計 (Remoulding CI for Ssangyong Motor and Designing Chinese Sales Store)". At the same time, by entering into in-depth negotiation of other projects in respect of promoting Ssangyong Motor among the Chinese brand names, an intention of forming a long-term cooperative partnership was reached.



AWARDS AND HONOR

During the period of review, the outstanding performance of the Group won recognition from the organizations in the industry and received a number of awards. In the “南京市進一步加快發展民營經濟工作會議 (Nanjing City Further Enhance Development of Private Economy Working Conference)”, the Group was accredited with three awards, “工業投入先進私營企業 (Advanced Private Enterprise Committing to the Industry)”, “納稅先進私營企業 (Advanced Private Enterprise for Tax Payment)” and “促進再就業先進私營企業 (Advanced Private Enterprise for Facilitating of Re-employment)”. The Group is the only one private advertising enterprise winning the awards, and is one of the two companies that “being ranked the first in three successive years”.

In addition, the Group was chosen as the “全國廣告行業文明單位 (National Advertising Civilized Unit)” by the PRC Advertising Association. Mr. He Chaobing, the chairman of the Group, was also awarded the honorable title of “十大廣告經理人 (Top Ten Advertising Manager of China)” and was elected as the chairman of the Outdoor Advertising Committee of the PRC Advertising Association in May. In the meantime, being recognized by 中國廣告協會企業資質認定委員會 (Enterprise’s Qualification Recognition Committee of the PRC Advertising Association), the Group was classified as the first class advertising enterprise in the PRC. The Group was further awarded the honorable title of “江蘇省優秀民營企業 (Best Private Enterprise in Jiangsu Province)” in the “全省民營經濟工作會議 (Provincial Private Economy Working Conference)” held by Jiangsu Provincial Office of the Central Committee of China.

Performance for the design and production of outdoor advertising business was also satisfactory, where the Group won special honors for several times. The Group provides a wide range of advertising production services, such as printing, drawing, digital printing, electronic display and lighting equipment production. Benefiting from the poster printing, with annual capacity of up to 7,000,000 sq.m., the Group was accredited as “亞洲科技含量最高的數碼典範企業 (Typical Asia Enterprise with the Most Advanced Digital Technology)” by the US Overseas Chinese News, and became the leading enterprise of poster printing in the PRC. At the same time, the Group was awarded the Golden Medal of “中國之星 (Star of China)”, which represented the most distinguish award in the field of advertising design, by the China Packaging Association, and obtained PRC nomination for “世界之屋 (Star of the World)”. The Group also won the Golden Medal for outdoor advertising at the Tenth China Advertising Festival.



OTHERS

In order to further strengthen the establishment of its core management team, so as to adapt to the implementation of the globalization strategy, the Group appoints Mr. Yang Jian Liang (a Chinese of Canadian Nationality) as the Vice President and will be responsible for business development, market planning and investor relations. The Board believes that Mr. Yang Jian Liang will play a vital role to the Group's plan of expanding into the international market.

OUTLOOK

With the economy fast growing in China and the pace of opening to the rest of the world accelerating, more and more foreign enterprise will enter into the PRC market, which will stimulate a greater demand for outdoor advertisements. In addition, due to the holding of Shanghai International Trade Show and Beijing 2008 Olympic, the advertising industry will be drastically benefited. In order to possess more large-sized outdoor advertising media, the Group intends to capture the opportunity of the rapid growth in the PRC advertising market and continue to expand the media network into the major provinces of the PRC by initiating various activities such as self development and acquisition. It is expected that the proportion of turnover to be derived from the outdoor advertising dissemination will increase, making this segment an important and growing drivers to the Group in future.

Apart from continuous expansion of regional network, the provision of quality advertising sales services is also critical to the success of the Group. Therefore, the Group will continue to optimize such services as well as strengthening the design and production of outdoor advertising business, including the production and installation of new media systems.

Looking forward, the Group will fully utilize the existing business network, and continue to strengthen the construction of the service platform, improve its quality and asset base, improving its corporate governance, expanding the source of well-known customers in the PRC and the overseas, as well as producing and renting out more multi-media systems, for the purpose to become the leading and the largest outdoor advertiser in the PRC.



BUSINESS OBJECTIVES OVERVIEW

Comparison of the actual business progress as at 30th June, 2004 with the business objectives as stated in the prospectus, and comparison of the actual use of proceeds during the period of review with the use of proceeds as stated in the prospectus are as follows:

	Expected progress of specific object	Actual progress of specific object	Use of proceeds as stated in the prospectus <i>(HK\$' million)</i>	Actual use of proceeds <i>(HK\$' million)</i>	
1	Expansion of the Group's existing outdoor advertising network	Acquiring approximately 28,000 sq.m. of advertising spaces in Jiangsu, Jiangxi, Xinjiang, Zhejiang, Anhui, Guangdong, Beijing, Mongolia and Shanghai.	Adjusted the general distribution of media in the cities in accordance with the market conditions when implementing the plans, and approximately 62,000 sq.m. of advertising spaces was acquired.	23.4	59.11
2	Production and installation of new multi-media system based advertising media	Producing new multi-media system based advertising media, and installing in outdoor display areas	The plans are still in the negotiation stage due to the structures of staff and products are being adjusted	3.8	—
3	Upgrading of production facilities to improve and maintain product quality	Purchasing a large format printer from an independent manufacturer	No plan was made during the period of review	—	—



		Expected progress of specific object	Actual progress of specific object	Use of proceeds as stated in the prospectus (HK\$' million)	Actual use of proceeds (HK\$' million)
4	Strengthening of the Group's service platform in the PRC	Enhance the upgrading of the computer network in the main office	The plans are being negotiated, and will be implemented in the second half of 2004	1.8	0.40
		Identifying and accessing the feasibility of setting more branches or service centers in other cities in the PRC	The plans are being negotiated	—	—
		Continue identifying franchisee in respect of Dahe's franchising poster printing operation in developing cities	No appropriate co-operative partner has been identified to day	—	—
				29.0	59.51

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Other than in connection with issue of H shares on the GEM, the Group and the Company did not purchase, sell or redeem any of its listed securities during the period.

DIRECTORS' AND SUPERVISOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or Supervisors of the Company or any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 30th June, 2004.



DIRECTORS' AND SUPERVISOR'S INTERESTS IN SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30th June, 2004, the interests and short positions of the Directors and the Supervisors (as if the requirements applicable to Directors under the Securities and Futures Ordinance ("SFO") had applied 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) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules were as follows:

Name of Director/ Supervisor (note 1)	Company/name of associated corporation	Capacity	Number of class of securities (note 2)	Approximate percentage of shareholding in the relevant class of securities
He Chaobing	Company	Interest of a controlled corporation (note 3)	405,200,000 domestic shares of RMB0.10 each (L)	69.86%
Ju Guanyu	Company	Beneficial owner	10,200,000 domestic shares of RMB0.10 each (L)	1.76%
He Lianyi	Company	Beneficial owner	6,400,000 domestic shares of RMB0.10 each (L)	1.10%
Wang Mingmei	Company	Beneficial owner	3,800,000 domestic shares of RMB0.10 each (L)	0.66%
Wang Weijie	Company	Beneficial owner	3,800,000 domestic shares of RMB0.10 each (L)	0.66%



Notes:

1. All of the persons named above are Directors, except Ms. Wang Mingmei is a Supervisor.
2. The letter "L" denotes the Director's/Supervisor's interests in such shares.
3. The interests in the domestic shares were held through (Jiangsu Dahe International Advertising Group, Co., Ltd.) ("Dahe International") which was owned as to 90% by Mr. He Chaobing.

Save as disclosed above, as at 30th June, 2004 none of the Directors and the Supervisors has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules.



SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES IN THE COMPANY

A. SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2004, the following persons/entities 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 under section 336 of the SFO and were directly or indirectly interested in 10% or more of the shares of the Company:

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 entire issued share capital of the Company (note 4)
Dahe International	Beneficial owner	405,200,000 domestic shares of RMB0.10 each (L)	69.86%	48.82%
He Chaobing	Interest of a controlled corporation (note 2)	405,200,000 domestic shares of RMB0.10 each (L)	69.86%	48.82%
Yan Fen	Interest of spouse (note 3)	405,200,000 domestic shares of RMB0.10 each (L)	69.86%	48.82%

Notes:

1. The letter "L" denotes the person's/entity's interests in the domestic shares of the Company.
2. The interest in the domestic shares were held through Dahe International which was owned as to 90% by Mr. He Chaobing.
3. Ms. Yan Fen is the wife of Mr. He Chaobing and is deemed to be interested in the shares in which Mr. He Chaobing is interested under the provision of Divisions 2 and 3 of Part XV of the SFO.
4. Domestic shares and H Shares of the Company are treated as the same class of shares for such purpose.



B. OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As at 30th June, 2004, save for the persons/entities disclosed in sub-section A above, the following persons/entities 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 under section 336 of the SFO:

Name	Capacity	Number and class of securities (note 1)	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the entire issued share capital of the Company (note 5)
Yan Jian	Beneficial owner	57,800,000 domestic shares of RMB0.10 each (L)	9.96%	6.97%
南京市高新技術風險投資股份有限公司 (Nanjing Hi-Tech Venture Capital Co., Ltd.)	Beneficial owner	50,000,000 domestic shares of RMB0.10 each (L)	8.62%	6.02%
南京市生產力促進中心 (Nanjing Productivity Enhancement Centre)	Interest of a controlled corporation (note 2)	50,000,000 domestic shares of RMB0.10 each (L)	8.62%	6.02%
江蘇南大高科技風險投資有限公司 (Jiangsu Nanda Venture Capital Co., Ltd.)	Beneficial owner	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%



Name	Capacity	Number and class of securities (note 1)	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the entire issued share capital of the Company (note 5)
南京斯威特新技術創業有限公司 (Nanjing SVT New Technology Venture Co., Ltd.)	Interest of a controlled corporation (note 3)	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%
南京斯威特集團有限公司 (Nanjing SVT Group Co., Ltd.)	Interest of a controlled corporation (notes 3 and 4)	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%
西安通郵科技有限公司 (Xian Tong You Technology Co., Ltd.)	Interest of a controlled corporation (notes 3 and 4)	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%
Martin Currie China Hedge Fund Limited	Investment manager	37,500,000 H shares of RMB0.10 each (L)	15%	4.52%
Commerzbank Aktiengesellschaft	Beneficial owner	15,000,000 H shares of RMB0.10 each	6%	1.81%



Notes:

1. The letter "L" denotes the person's/entity's interests in the domestic shares of the Company.
2. The interests in the domestic shares were held through Nanjing Hi-Tech Venture Capital Co., Ltd., the registered capital of which is owned as to 60% by (Nanjing Productivity Enhancement Centre).
3. The interests in the domestic shares were held through Jiangsu Nanda Venture Capital Co., Ltd., the registered capital of which is owned as to 80% by (Nanjing SVT New Technology Venture Co., Ltd.).
4. (Nanjing SVT New Technology Venture Co., Ltd.) is owned as to 55% by (Nanjing SVT Group Co., Ltd.), which is in turn owned as to 94% by (Xian Tong You Technology Co., Ltd.).
5. Domestic shares and H Shares of the Company are treated as the same class of shares for such purpose.

Save as disclosed above, no other person/entity had an interest or a short position in the shares and underlying shares of the Company as recorded on 30th June, 2004 in the register required to be kept under section 336 of the SFO.

SPONSORS' INTEREST

As updated and notified by the Company's sponsor, Guotai Junan Capital Limited ("Guotai Junan"), neither Guotai Junan nor its directors, employees or associates had any interest in the share capital of the Company as at 30th June, 2004 pursuant to Rules 6.36 and 18.63 of the GEM Listing Rules.

Pursuant to a sponsor agreement dated 13th November, 2003 between the Company and Guotai Junan, Guotai Junan has been appointed as the sponsor to the Company as required under the GEM Listing Rules for a fee from 13th November, 2003 to 31st December, 2005.

COMPETING INTEREST

None of the directors, the management shareholders of the Company and their respective 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.



AUDIT COMMITTEE

The Company established an audit committee on 23rd October, 2003 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company. The audit committee comprises four independent non-executive directors, Mr Qiao Jun, Mr Cheng Zhiming, Mr Li Yijing and Mr Shen Jin. Its chairman is Mr. Qiao Jun. The audit committee has held one meeting since its formation.

By Order of the Board

He Chaobing

Chairman and executive director

Nanjing, the PRC
30th July, 2004