

\* For identification purposes only



## 2005 FIRST QUARTERLY REPORT



南京大賀戶外傳媒股份有限公司  
Nanjing Dahe Outdoor Media Co., Ltd.\*

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



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*The directors of Nanjing Dahe Outdoor Media Co., Ltd. collectively and individually accept full responsibility of this report. This report includes particulars given in compliance with the GEM Listing Rules of the Stock Exchange of Hong Kong for the purpose of giving information with regard to Nanjing Dahe Outdoor Media Co., Ltd. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) 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.*



## HIGHLIGHTS

- For the three months ended 31st March, 2005, the Group recorded a turnover of approximately RMB59,870,000, up by approximately 69.41% over the corresponding period in 2004.
- For the three months ended 31st March, 2005, the Group's profit attributable to shareholders was approximately RMB3,013,000, up by approximately 6.5% over the corresponding period in 2004.
- Earning per Share was approximately RMB0.36 cents, up 5.88% over the corresponding period in 2004.
- The Group's turnover was mainly derived from the revenue from two major business, design and production of outdoor advertising and dissemination of outdoor advertisement, which accounted for approximately 44.34% (2004: 66.84%) and 55.66% (2004: 33.16%) of the total turnover respectively. Of these, the ratio of dissemination of outdoor advertisement business increased by approximately 67.85% over the corresponding period in the previous year.
- During the period under review, the Group's business has been expanded to various places countrywide. The Company therefore planned to change its Chinese name into “大賀（中國）傳媒股份有限公司”，and upon the effective of the change of name, to adopt English name of “Dahe (China) Media Co., Ltd.”, so as to reflect the Group's existing business developments in the PRC more effectively.



## CONSOLIDATED PROFIT AND LOSS STATEMENT

The Board of Directors (“Board”) of Nanjing Dahe Outdoor Media Co., Ltd. (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three months ended 31st March, 2005, together with the comparative figures for the corresponding period in 2004 as follows:

		Unaudited For the three months ended 31 March	
	Notes	2005 RMB'000	2004 RMB'000
Turnover	2	59,871	35,340
Cost of sales		(42,652)	(23,590)
Gross profit		17,219	11,750
Other incomes		495	463
Distribution and sales cost		(5,022)	(4,306)
Administrative expenses		(6,172)	(4,329)
Profit from operations		6,520	3,578
Financial cost		(2,326)	(295)
Profit before taxes		4,194	3,283
Taxation	3	(679)	(499)
Profit before minority interests		3,515	2,784
Minority interests		(502)	45
Net profit for the period		3,013	2,829
Earning per Share			
Basic (RMB)	4	0.36 cents	0.34 cents



## NOTES TO THE FINANCIAL STATEMENT:

### 1. BASIS OF PRESENTATION

The unaudited consolidated results have been prepared in accordance with the applicable Statements of Standard Accounting Practice and the accounting principles generally accepted in Hong Kong issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies adopted in the unaudited consolidated results are in line with those adopted in the preparation of the consolidated financial statements of the Group for the year ended 31st December, 2004.

All intra-group transactions and balances have been eliminated upon the preparation of the unaudited consolidated financial statements.

### 2. TURNOVER

Turnover included sales value from production and provision of advertising services to external customers net of returns and discounts and allowances, advertising incomes and incomes from franchise operations. Breakdown of turnover are as follows:

	Unaudited For the three months ended 31 March	
	2005 RMB'000	2004 RMB'000
Design and production expenses for outdoor advertising	26,544	23,621
Advertising incomes from the leasing of outdoor advertising spaces	33,327	11,719
	<u>59,871</u>	<u>35,340</u>

The Group's turnover and profits from operations were all derived from the single business of provision of outdoor advertising services in the PRC. Accordingly, no breakdown by business segments or by geographical areas were provided.

### 3. TAXATION

Provision for PRC Enterprise Income Tax (“EIT”) has been calculated in accordance with the applicable tax rates for the relevant year based on the taxable incomes (in respect of PRC taxes).

Pursuant to the relevant laws and regulations of the PRC, as the Company is a qualified High Technology Enterprise, and was registered in the High Technological Zone, the Company was therefore entitled to an exemption on the PRC EIT for the two years ended 31st December, 2001 and 2002. Thereafter, the Company was entitled to enjoy a preferential income tax rate of 15%. Therefore, for the period ended 31st March, 2005, the Company was subject to an income tax rate of 15%.



Under the local income tax regulations, profits from the Company's branches in Shanghai, Jiangxi, Wuhan, Guangzhou and Shenzhen are subject to independent assessments, and the relevant authorities will charge the EIT at the tax rates of 33%, 33% and 15% respectively basing on the anticipated taxable incomes of the Shanghai, Jiangxi, Wuhan, Guanzhou and Shenzhen branches.

Subsidiaries are subject to a standard tax rate of 33%.

The Company has no significant un-provided deferred taxes.

#### 4. DIVIDENDS

The Board does not recommend distribution of interim dividends for the three months ended 31st March, 2005 (2004: Nil).

#### 5. EARNINGS PER SHARE

Basic earnings per Share as at 31st March, 2005 was based on the net profit for the three months ended 31st March, 2005 of RMB3,013,000, divided by 830,000,000 Shares in issue after the conversion of the Company into a joint stock limited company.

#### 6. RESERVES

	Capital common reserve fund RMB'000	Statutory common reserve fund RMB'000	Statutory public welfare fund RMB'000	Retained profits RMB'000	Total RMB'000
As at 1st January 2004	95,745	6,050	3,025	45,668	150,488
Net profit for the period	—	—	—	2,829	2,829
As at 31st March 2004	95,745	6,050	3,025	48,497	153,317
Addition	169	—	—	—	169
Net profit for the period	—	—	—	15,649	15,649
Dividends declared and paid	—	—	—	(6,684)	(6,684)
Appropriation	—	2,345	1,172	(3,517)	—
As at 1st January 2005	95,914	8,395	4,197	53,945	162,451
Dividends declared	—	—	—	3,013	3,013
Net profit for the period	—	—	—	—	—
As at 31st March 2005	95,914	8,395	4,197	56,958	165,464



## BUSINESS REVIEW AND ANALYSIS

Through the adjustments to its business development direction in over a year, the Group has successfully realised the strategic conversion from predominantly of the design and production of outdoor advertising to an outdoor media advertising integrated supplier, and while maintaining its leading position in the outdoor advertising production in the PRC, steadily expanded its market share in the outdoor media. During the First Quarter which was the low season in the industry, the Group recorded a turnover of approximately RMB59,870,000, up by approximately 69.41% over the corresponding period in the previous year. Net profit during the period was approximately RMB3,010,000, up by approximately 6.5% over the corresponding period in the previous year.

### RESULTS OF DISSEMINATION OF OUTDOOR ADVERTISING

While continued to consolidate its design and production of outdoor advertising business, the Group also strengthened the development and construction of outdoor media. During the period, the Group has newly integrated outdoor media by approximately 20,000 sq.m., newly constructed outdoor media of approximately 5,000 sq.m. As at 31st March, 2005, on the basis of the Group's outdoor media of 170,000 sq.m., the Group has integrated outdoor media resources of 25,000 sq.m., of which, outdoor media constructed was approximately 160,000 sq.m.. In addition, in order to satisfy the dissemination requirements of customers, the Group also obtained media resources through media leasing. Currently, the Group's media is mainly distributed in the following large and medium cities:



★ districts with media resources



Through the incubation and tempering of over a year during the strategic conversion, the Group currently owns a team of mature sales professionals, with significant enhancement in contract securing capability and quality over the corresponding period in the previous year. In the First Quarter this year, the Group's total contracted amount in respect of outdoor media was approximately RMB28,310,000 (1st Quarter 2004: RMB5,600,000), representing a growth of 406% over the corresponding period in the previous year. Turnover realised from the dissemination of outdoor media was approximately RMB33,330,000, a growth of approximately 184.38% over the corresponding period of the previous year, and accounted for 55.66% of the total turnover. Gross profit margin was 41.24%.

Meantime, the Group continued to consolidate media dissemination rate for over a year, and currently, the leasing rate of the Group's integrated media is approximately 58%. In addition, in respect of newly constructed outdoor media, the Group adopted proactive measures in its operation strategies and selection of customer base, aiming at early dissemination to enhance the launching rate. According to initial statistics, in cities of mature business development (with operation periods of about two years), media launching rate may reach 80% and above. Newly established companies and newly constructed media are still in their incubation period, and their dissemination rates are yet to be enhanced.

#### *DESIGN AND MANUFACTURE OF OUTDOOR ADVERTISING*

The Group's design and manufacture of outdoor advertising business maintained a steadily developing tendency. Facing with the pressure in the price increase of the raw materials caused by the continued upsurge of international oil prices, the Group strictly controlled costs, reduced material consumption, strengthened production management, and during the Chinese New Year, the Group performed overall maintenance and reparation to the production equipment in the whole group, strictly requiring all production flows to be operated in compliance with ISO9000 requirements, and has obtained satisfactory results through the above series of measures. During the period, turnover derived from the design and production of outdoor advertising was approximately RMB26,540,000, representing a growth of approximately 12.37% over the corresponding period in the previous year, and accounted for 44.34% of the total turnover. Gross profit margin was approximately 19.17%.





### *BUSINESS EXPLORATIONS*

The Group has strengthened its relationship and cooperation with high-graded customers. During the period under review, the Group has secured a number of nationwide orders successively. In respect of the cooperation on the production of outdoor advertising arrived at with 慧聰網 last year, the Group will undertake the outdoor advertising production and dissemination business 慧聰網 from this year. In addition, the Group has entered into a letter of intent with 橫店影視城有限公司 (Heng Dian Video City Co., Ltd.) in respect of outdoor advertising agency involving a cooperation amount of RMB10 million. The cooperation agency in respect of comprehensive outdoor advertising for the whole year with Heng Dian Video City will be beneficial for the further strengthening of the Group's business development in the Group's cooperation with other large corporate customers in future. 重慶大賀巴蜀傳媒有限公司 (Chongqing Dahe Ba Shu Media Co., Ltd.), a subsidiary of the Group, obtained the advertising agency right for 2005 in “渝州服務導報” (Yuzhou Service News), and commenced its involvement in the plane advertising sector, thus satisfied the various demands of the customers, and further enhanced the Group's overall operation capabilities in media advertising, and by leveraging on the advantage as an “One-stop” outdoor media supplier, to provide comprehensive media strategies to customers.

Furthermore, the Group also entered into contracts for outdoor media dissemination of over 2 million (including outdoor media production) with 中國瀏陽河酒業有限公司 (China Liuyanghe Wine Industry Limited). The Group's media operation business department was in full cooperation with the media production business department, and integrated nationwide outdoor media advertising resources, provided advertising media with total area of 10,000 sq.m., covering 15 provinces or municipalities and 17 major cities for the “Cheers to Liuyanghe, Happy Chinese Year” activity of Liuyanghe Wine Industry. The media format of outdoor advertising dissemination was diversified, including sign boards, high-rise columns, field chess, lamp bridges. The Group's media operation business department and media production business department have captured the market characteristics of peak advertising before the Spring Festival and integrated media resources, providing two months short-term media dissemination with specific direction, thus arriving at a sure win situation, and fully made use of the Group's advantages in respect of network and resources.

During the period, the Group obtained significant breakthrough in respect of customer exploration. The Group commenced on the overall cooperation with the Levis of Swiss, and has entered into a one year advertising production agency contract in the initial stage. Early this year, the Group entered into a cooperation agreement with 固特異輪胎 (Goodyear Tire & Rubber Company) on the dissemination of its outdoor media advertising in 17 cities in the PRC involving a contract amount of RMB8 million. At the same time, the Shanghai branch also commenced cooperation with international advertising companies, and the phase I of the cooperation will commence in the media dissemination sector.



During the First Quarter, 上海泛邦家事通家政管理服務有限公司 has become the Group's strategic cooperative partner, and the Group will undertake all the promotion issues of (Fanbang Company) in respect of “家事通” brand-name, product and marketing and dissemination strategy, advertisement creation and production, media planning and purchases involving a cooperation amount of about RMB5 million. The cooperation of Fanbang company with the Group was mainly for the Group's excellent services and strong resources, and the cooperation fully indicated the advantage of Dahe as an “Outdoor media integrated solution supplier”. The brand-name promotion implemented by the Group for Fanbang Company will bring new opportunities to the market of its “家事通” business.

### *PROGRESS OF AN KANG PROJECT*

The Group's 安康宣傳廣告欄 (An Kang Advertising Board) was a large project covering various provinces and cities in the PRC, and is up to the present the only advertising media permitted to enter into schools and communities. The Group planned to establish 60,000 advertising boards in the various major cities throughout the PRC within three years, with extensive coverage, and total area of exceeding 500,000 sq.m.. An Kang Advertising Board would also become one of the Group's key development project for the year. Being a cooperation project with 中國兒童少年基金會 (China Children and Youth Fund), the project has been supported by the government authorities, and enjoyed the advantage of high return at low cost. Therefore, the Group believed that this project would bring profit growth to the Group. The Group has become the controlling shareholder of 北京千禧安康傳媒廣告有限公司 (Beijing Qian Xi An Kang Media Co., Ltd.), which will be more beneficial for the implementation and promotion of the An Kang Advertising Board project. During the period, the Group has newly obtained approval documents in respect of 1,100 An Kang Advertising Board dissemination in four cities. At the same time, the Group has newly established about 250 media locations in the Beijing region, initially forming a regional media dissemination network.

### *INTERNAL CONSTRUCTION*

The Group was actively carrying out in full range its internal corporate informatisation engineering construction and implementation, and projects such as Customer Relationship Management (CRM) system, Office Automation (AO) system, order system for media location and portal website, Human Resources Management (HR) have been fully implemented, and the implementation of the video conference system and VoIP group telephone system have been completed, and will be promoted within the Group. The implementation of the informatisation engineering has caused positive impact on the risk control, and on the operation control of branches and subsidiaries as well as staff performance assessment. At the same time, through the informatisation system, working efficiency has been enhanced, and cost reduced. It is anticipated that the item of communication expenses alone will save tens of thousands of expenditures each year.



Early this year, the Group has summoned the general managers and business key personnel of all the branches and subsidiaries to gather in Nanjing, and held an annual conclusion meeting, to make conclusion on the various experience and lessons in 2004. At the same time, each of the general managers has entered into a 2005 operation liability agreement, and were fully confident on the completion of operation indications.

## STRATEGIES

The Group planned to continue strengthening media acquisition and construction when opportunities are appropriate, and expedite media development. At the same time, form strategic cooperation relationship with various district outdoor media companies, to further establish the Group's cross-district media network throughout the PRC.

In 2005, the Group will continue to promote An Kang Advertising Board, and rapidly expand the distribution of An Kang Advertising Board project locations through the establishment of new media locations in major class one cities, and through various ways of combinations such as franchise in class two and class three cities, thus forming community media network of certain scale.

On 22nd March, 2005, the Group announced its proposal of changing the Chinese name of the Company into “大賀（中國）傳媒股份有限公司”，and upon the effective of the change of name, to adopt English name of “Dahe (China) Media Co., Ltd.” for identification purpose only. The Group is engaged in the design and production of outdoor advertising products and leasing of the outdoor advertising spaces in the PRC for the dissemination of outdoor advertisements. The Group's business has been expanded to various places in the PRC. Therefore, the Board consider that the new name will reflect the Group's existing business developments in the PRC more effectively.



## OUTLOOK

In the last decade, under the continued favorable situation in the macro economical environment, the advertising industry in the PRC has been growing at a speed exceeding the growth of the overall economy. Outdoor advertising was even growing at a strong tendency, and with its share of RMB13 billion in the advertising market, ranked the third among the six major media, including television, broadcasting, newspapers, magazines, network. Recently, the various major advertising magazines in the PRC had unprecedentedly utilised large spaces of reports on the booming development of the outdoor advertising industry, which reflected the high concern of the counter-parties and the society on the rapid development of the outdoor advertising industry.

Therefore, in the year to come, the Group hopes to leverage of the advantages of the reputable brand-name of “Dahe”, to attract expertise with its brand-name, to serve customers with its professional team and internationalised advanced equipment, to possess more media with its capital advantages, and attract more companies to become our strategic partners. The Group will take active motions with its proactive and progressive attitude, capture market tendencies sensitively, and provide tailor-made professional outdoor media solutions for customers. The Group will be fully dedicated in “Incubating small giants, constructing a big conglomerate, and establishing a united fleet of advertising industry”. We believe that on the basis of consolidating advertisement production business and development of media dissemination business, the media dissemination business will become the major source of profit growth for the Group, and create more values for the shareholders.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Group and the Company did not purchase, sell or redeem any of its listed securities during the year.

## DIRECTORS’ AND SUPERVISORS’ 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 31st March, 2005.



## DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31st March, 2005, 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 Rules 5.40 to 5.58 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 who 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 江蘇大賀國際廣告集團有限公司 (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 31st March, 2005 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 Rules 5.40 to 5.58 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 31st March, 2005, 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 5% 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 31st March, 2005, 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 有限責任公司 (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 fund manager	37,500,000 domestic shares of RMB0.10 each (L)	15%	4.52%
Commerzbank Aktiengesellschaft	Beneficial owner	15,000,000 domestic shares of RMB0.10 each (L)	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 will be held through Nanjing Hi-Tech Venture Capital Co., Ltd., the registered capital of which is owned as to 60% by 南京市生產力促進中心 (Nanjing Productivity Enhancement Centre).
3. The interests in the domestic shares will be held through Jiangsu Nanda Venture Capital Co., Ltd., the registered capital of which is owned as to 80% by 南京斯威特新技術創業有限責任公司 (Nanjing SVT New Technology Venture Co., Ltd.).
4. 南京斯威特新技術創業有限責任公司 (Nanjing SVT New Technology Venture Co., Ltd.) is owned as to 55% by 南京斯威特集團有限公司 (Nanjing SVT Group Co., Ltd.), which is in turn owned as to 94% by 西安通郵科技有限公司 (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 31st December, 2004 (being the date on which H shares of the Company first commenced trading on GEM) in the register required to be kept under section 336 of the SFO.

## SPONSOR'S 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 31st March, 2005 pursuant to Rules 6.36 and 18.63 of the GEM Listing Rules.

Pursuant to an agreement dated 13th November, 2003 between the Company and Guotai Junan, Guotai Junan has been appointed as the adviser 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 comprise four independent non-executive directors, Mr Qiao Jun, Mr Cheng Zhiming, Mr Li Yijing and Mr Shen Jin.

By Order of the Board

**He Chaobing**

*Chairman and executive director*

Nanjing, the PRC  
29th April, 2005