



# 大賀傳媒股份有限公司 DAHE MEDIA CO., LTD.\*

(formerly known as "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)



# 2005

Interim Report

\* For identification purposes only

## **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 Dahe 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 six months ended 30th June, 2005, a turnover of approximately RMB135,400,000 was achieved, which was increased by approximately 50% as compared with the corresponding period of 2004.
- For the six months ended 30th June, 2005, a total profit of approximately RMB12,720,000 and a net profit of approximately RMB9,210,000 were achieved.
- The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June, 2005.



## 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 six months ended 30th June, 2005, together with the comparative figures for the corresponding period in 2004 as follows:

## CONSOLIDATED INCOME STATEMENT

	Unaudited For the three months ended 30th June 2005 RMB'000	Audited 2004 RMB'000	Unaudited For the six months ended 30th June 2005 RMB'000	Audited 2004 RMB'000
Note				
Turnover	75,524	55,087	135,396	90,427
Cost of sales	<u>(51,196)</u>	<u>(36,156)</u>	<u>(93,848)</u>	<u>(59,746)</u>
Gross profit	24,328	18,931	41,547	30,680
Other revenue	(656)	205	(160)	669
Distribution and selling costs	(5,471)	(5,395)	(10,493)	(9,701)
Administrative expenses	<u>(7,355)</u>	<u>(4,783)</u>	<u>(13,528)</u>	<u>(9,112)</u>
Profit from operations	10,846	8,958	17,366	12,536
Finance costs	<u>(2,321)</u>	<u>(365)</u>	<u>(4,647)</u>	<u>(660)</u>
Profit before taxation	8,526	8,593	12,720	11,876
Taxation	<u>(776)</u>	<u>(1,379)</u>	<u>(1,455)</u>	<u>(1,879)</u>
Net profit before minority interests	7,750	7,214	11,264	9,997
Minority interests	<u>(1,555)</u>	<u>(177)</u>	<u>(2,057)</u>	<u>(132)</u>
Net profit attributable to shareholders	<u>6,194</u>	<u>7,037</u>	<u>9,207</u>	<u>9,865</u>
Earnings per share				
— Basic	<u>0.75 cents</u>	<u>0.85 cents</u>	<u>1.11 cents</u>	<u>1.19 cents</u>

Note: Calculation of the earnings per share in 2004 and 2005 was based on 830,000,000 shares and 830,000,000 shares respectively.



## CONSOLIDATED BALANCE SHEET

	Unaudited As at 30th June, 2005 RMB'000	Audited As at 31st December, 2004 RMB'000
	Note	
<b>Non-current assets</b>		
Property, plant and equipment	115,891	219,913
Construction in progress	4,241	—
Intangible assets	96,663	6,544
Interest in an associate	14,317	12,224
Finance lease receivables	—	89
	<u>231,112</u>	<u>238,770</u>
<b>Current assets</b>		
Inventories	13,577	11,210
Trade and note receivables	47,525	31,451
Deposits, prepayments and other receivables	72,686	55,074
Cash and bank balances	83,064	93,585
Other current assets	11,681	23,180
	<u>228,533</u>	<u>214,500</u>
<b>Current liabilities</b>		
Bank loans	153,000	135,000
Trade and note payables	12,267	10,772
Other payables, advanced payment and accruals	9,043	22,414
Deferred advertising income	(889)	8,780
Provisions for tax and levies	1,797	1,976
Amount due to a related company	184	231
	<u>(175,402)</u>	<u>(179,173)</u>
<b>Net current assets</b>	53,131	35,327
<b>Total assets less current liabilities</b>	<u>284,243</u>	<u>274,097</u>



## CONSOLIDATED BALANCE SHEET (Cont'd)

	Unaudited As at 30th June, 2005 RMB'000	Audited As at 31st December, 2004 RMB'000
	Note	
<b>Non-current liabilities</b>		
Other payables	600	995
	(600)	(995)
<b>Minority interests</b>	(28,985)	(27,651)
<b>Net assets</b>	254,658	245,451
<b>Capital and reserves</b>		
Share capital	83,000	83,000
Reserves	171,658	162,451
Shareholders' funds	254,658	245,451



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium 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, 2004	83,000	95,745	6,050	3,025	45,668	150,488	233,488
Profit for the period	—	—	—	—	9,865	9,865	9,865
Increment	—	169	—	—	—	169	169
Dividend declared and paid for the period	—	—	—	—	(5,277)	(5,277)	(5,277)
At 30th June, 2004	83,000	95,914	6,050	3,025	50,256	155,245	238,245
Dividend declared and paid for the period	—	—	—	—	(1,407)	(1,407)	(1,407)
Profit for the period	—	—	—	—	8,613	8,613	8,613
Transfer	—	—	2,345	1,172	(3,517)	0	0
At 31st December, 2004	<u>83,000</u>	<u>95,914</u>	<u>8,395</u>	<u>4,197</u>	<u>53,945</u>	<u>162,451</u>	<u>245,451</u>
Profit and loss from the previous year	—	—	—	—	—	0	0
Profit for the period	—	—	—	—	9,207	9,207	9,207
Dividend declared and paid for the period	—	—	—	—	—	0	0
At 30th June, 2005	<u>83,000</u>	<u>95,914</u>	<u>8,395</u>	<u>4,197</u>	<u>63,152</u>	<u>171,658</u>	<u>254,658</u>



## CONSOLIDATED CASH FLOW STATEMENT

	Unaudited As at 30th June, 2005 RMB'000	Audited As at 31st December, 2004 RMB'000
Cash flows from operating activities	1,830	11,399
Cash flows from taxation	(7,164)	(5,206)
Cash flows from investing activities	(19,229)	(96,678)
Cash flows from financing activities	<u>14,042</u>	<u>54,737</u>
Net decrease in cash and cash equivalents	(10,521)	(35,748)
Cash and cash equivalents at the beginning of period	93,585	129,333
Cash and cash equivalents at the end of period	<u><u>83,064</u></u>	<u><u>93,585</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 2004 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 2004 annual accounts.

### 2. TURNOVER

#### Turnover by segments

	Unaudited For the six months ended 30th June 2005 RMB'000	Audited 2004 RMB'000
Outdoor advertisement design and production fees		
Printed posters	68,108	61,742
Advertising income from the renting of outdoor advertising space	67,288	28,685
	<u>135,396</u>	<u>90,427</u>

### 3. TAX

	Unaudited For the six months ended 30th June 2005 RMB'000	Audited 2004 RMB'000
Taxation		
PRC income tax	1,455	1,841



#### 4. TRADE RECEIVABLES

The aged analysis of trade receivables is as follows:

	Unaudited As at 30th June, 2005 RMB'000	Audited As at 31st December, 2004 RMB'000
0-90 days	35,086	22,749
91-180 days	10,781	3,917
181-365 days	172	2,663
Over 365 days	194	1,866
	<hr/>	<hr/>
	<b>46,233</b>	<b>31,195</b>
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#### 5. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	Unaudited As at 30th June, 2005 RMB'000	Audited As at 31st December, 2004 RMB'000
0-90 days	7,800	8,293
91-180 days	46	1,132
181-365 days	3,571	796
Over 365 days	278	551
	<hr/>	<hr/>
	<b>11,695</b>	<b>10,772</b>
	<hr/> <hr/>	<hr/> <hr/>



## BUSINESS REVIEW

For the six months ended 30th June, 2005, the Group recorded a turnover of approximately RMB135,400,000, which was increased by 50% as compared with the corresponding period of last year. Total profit amounted to approximately RMB12,720,000, an increase of approximately 7.16% as compared with the same period last year. During the period, the net profit was approximately RMB9,210,000, down by 6.67% over the corresponding period of last year. Decrease in the net profit was mainly due to the increase in financial cost of approximately RMB4,000,000, increase in depreciation of approximately RMB900,000 following the use of new equipment and plant. Turnover from outdoor advertising dissemination business represented approximately 50% of the gross turnover (2004: 32%), while turnover from design and production of outdoor advertising business represented approximately 50% of the gross turnover (2004: 68%). Earnings per share were increased to RMB1.11 cents (2004: RMB1.19 cents). The Board of Directors does not recommend the payment of an interim dividend.

### *DISSEMINATION OF OUTDOOR ADVERTISING*

Business For the six months ended 30th June, 2005, turnover from renting outdoor advertising space to customers reached approximately RMB67,290,000 (2004: RMB28,680,000), which was increased by 135% as compared with the corresponding period of last year. During the period under review, with the aggressive marketing strategies to strengthen the development of outdoor media, the Group has further consolidated its leading position in the outdoor media market of the PRC.

The operation of the Group continued to expand in terms of the coverage and sales amount. The outdoor advertising sites owned by the Group in long-run were rented to third parties by short-term contracts and obtained a satisfactory profit.

During the period, the average installation rate of the Group's outdoor media was approximately 65%, of which the installation rate of old advertising panels was approximately 68% while the installation rate of the new advertising panels was 35%, with an increase of 5% as compared with the corresponding period of 2004.



During the period under review, the business of the Group expanded to 50 cities throughout the PRC, including Beijing, Urumqi, Xian, Shanghai, Wuhan, Chongqing, Shenzhen, Guangzhou, Nanjing and Hanzhou (please refer to the attached map).



★ districts with media resources

For the six months ended 30th June, 2005, the Group secured the outdoor advertisement dissemination rights at (location) with an area of approximately 15,000 sq.m., Currently, the Group has the outdoor advertisement dissemination rights in a total area of 185,000 sq.m. In addition, the Group was able to integrate media resources of 28,000 sq.m. during such period, thus further expanding its scope of service.

The Group continued the implementation of the An Kang Advertising Board Project. In order to enhance the effort and hasten the speed in promoting the 安康宣傳欄 (An Kang Advertising Board), the Group increased its shareholding of 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.) to 51% during the period under review and became the controlling shareholder. For the six months ended 30th June, 2005, An Kang Advertising Board project was marketed extensively in 9 cities. There were 4000 construction works for new participants in aggregate, with an accumulative invoice amount of RMB5,750,000.



Moreover, the Group continued to expand the size of sales team, and set up major customer centers in the PRC to provide service to major customers and managing projects of larger scale.

### *DESIGN AND PRODUCTION OF OUTDOOR ADVERTISING BUSINESS*

During the period under review, this business recorded a turnover of RMB68,110,000 in total, representing the gross turnover of approximately 50% (2004: 68%). Turnover increased by 10.31% as compared with 2004, while its ratio to the total turnover reduced by 19%.

During the period, the intensified competition and increase of petroleum price have created a strong challenge to the profit of this business segment. The Group successfully reduced the increase in expenses by effectively restructuring the departments and controlling cost. The Group believes that the profit of this business will become basically stable in this year.

As the sole outdoor advertising design and production company of the PRC which provides high quality service, the Group maintains a relatively strong competitive edge, allowing it to hold a leading position in terms of market share in the PRC. Working together with the outdoor advertising dissemination department, the Group provides comprehensive “one-stop major network” service to customers in different regions.

### *LED-BASED ELECTRONIC MEDIA BUSINESS*

LED-based electronic displays are the media through which the Group provides high value-added products and services to its customers. The LED-based electronic displays represented a turnover of approximately 1% in the electronic advertising business, or approximately RMB1,280,000, an increase by 3.23 times as compared with the corresponding period of last year.

### **CUSTOMER BASE**

At present, the customer base of the Group has covered a wide spectrum of industries such as consumer products, telecommunications, household appliances, information technology, food and beverage, automobile and crude oil, etc. For the six months ended 30th June, 2005, the Group entered into contracts with various major customers, including 耐克 (Nike) and Shun Chi Real Estate, Anli, Beijing Hyundai. The Group also maintained a well-equipped data base, sales/ customer relation management and management information system to accommodate its management in the areas of sales and operation, and further upgrading the construction of enterprise informatisation project, fully implementing office automation (OA) system, and human resources (HR) management system.



## AWARDS AND HONOR

In the latest advertising award organized by 廣告導報 (Advertising Magazine), the Group received three special honorable titles again in the advertising industry of the PRC: namely 中國本土廣告公司綜合實力30強 (Top 30 Full-Service Local Advertising Company of the PRC), 最具影響力本土廣告公司100強 (Top 100 Most Influential Local Advertising Company) and our Chairman He Chaobing was chosen as 中國最具影響力媒體廣告經營100人 (100 Most Influential Media Advertising Manager). In the 2005 Second Outdoor Advertising Conference of the PRC, out of the 7 projects submitted by the Group to the “2004中國優秀戶外廣告創意獎” (2004 Outstanding Outdoor Creative Award of the PRC), it received 1 silver medals and 6 bronze medals. A total of the 274 projects were submitted to participate in the competition.

## OUTLOOK

With the pressure of cost expenses and competition on the media production department and the change in operating model of outdoor media dissemination department, the profit of the Group in 2004 was subject to challenge. Besides, new advertising boards take three to six months to create economic effect that causes a delay in the generation of profit, thus giving rise to a negative impact. However, due to the expansion of network, strengthening of experience and the growth in numbers of customers, the Group believes that the profit for 2005 will be stable.

The Board of Directors believes that the best strategy is continuing the purchase of high quality advertising zones selectively, establishment of national outdoor media strategic alliance, increase nationwide business dissemination capability, and at the same time strictly controlling the cost and using endeavors to seek for new customers by taking advantages of its media production, fully capitalising on the Group's network advantage in the PRC, to provide service to cross-regional outdoor advertising customers. Over the past year and a half, the Dahe Group has successfully completed its strategic transformation from mainly in media production to mainly on media dissemination business which including strategic planning, design, production, dissemination, and providing a real “one-stop” service on outdoor advertising to customers, and become an integrated solution provider.

Looking forward, the profit margin of Dahe's business will revive from the decline and become stable. At the same time, the scope of business will be expanded. The Group will put its best efforts in purchasing attractive outdoor advertising sites and developing remarkable management teams in different places for the purpose of establishing a strong foundation for the future development of the company.



## BUSINESS OBJECTIVES OVERVIEW

Comparison of the actual business progress for the six months ended 30th June, 2005 with the business objectives as stated in the prospectus, and comparison of the actual use of proceeds during the period under 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 (HK\$' million)	Actual use of proceeds (HK\$' million)
1. Expansion of the Group's existing outdoor advertising network	Acquiring approximately 15,000 sq.m. of advertising spaces in Jiangsu, Jiangxi, Xinjiang, Zhejiang, Beijing, Nanjing and Hanzhou.	Acquired approximately 15,000 sq.m. of advertising spaces in Jiangsu, Shanghai, Beijing, Jiangxi.	12.5	0
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 project implementation is still immature and pending negotiation.	4.4	—
3. Upgrading of production facilities to improve and maintain product quality	No plan was made during the period under review	No plan was made during the period under review	—	—
4. Strengthening of the Group's service network and computer network infrastructure in the PRC	Identifying and accessing the feasibility of setting more branches or service centers in other cities in the PRC	Currently initiating the plan to create a subsidiary company.	—	—
Total			16.9	0



## 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 30th June, 2005.

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

As at 30th June, 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%



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
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 30th June, 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 30th June, 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 30th June, 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 30th June, 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.



## CORPORATE GOVERNANCE

The Company has complied with the broad practices and procedures as set out in Rules 5.34 to 5.45 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the six months ended 30th June, 2005.

## 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  
12th August, 2005