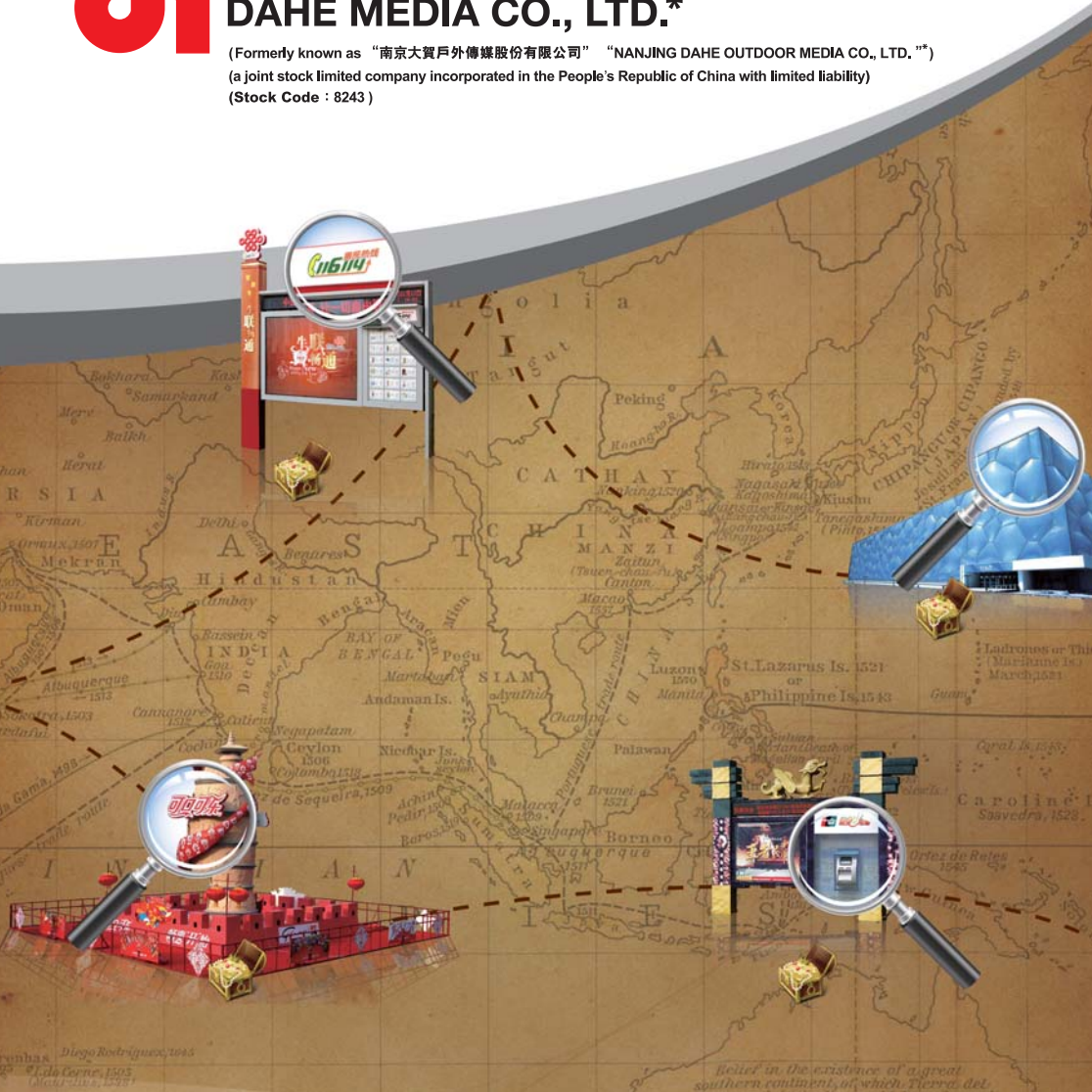




大賀傳媒股份有限公司 DAHE MEDIA CO., LTD.*

(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)
(Stock Code : 8243)



2009 First Quarterly Report

*For identification Purposes only

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of the companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Dahe Media Co., Ltd. The directors of the Company collectively and individually accept full responsibility of this report. 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 facts 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 31 March 2009, the Group achieved a turnover of approximately RMB80,558,000, representing an increase of approximately 1.53% over the same period of 2008.
- Turnover of the Group was mainly from outdoor media dissemination, terminal dissemination service and media production businesses, representing approximately 60.71% (2008: 55.87%), 20.14% (2008: 16.9%) and 19.15% (2008: 27.23%) respectively of the gross turnover.
- For the three months ended 31 March 2009, profit attributable to the Group's shareholders was approximately RMB362,000 (2008: RMB3,811,000).
- Earnings per share was approximately RMB0.04 cent (2008: RMB0.46 cent).
- The Directors do not recommend distribution of an interim dividend for the three months ended 31 March 2009 (2008: Nil).
- Chongqing Dahe Basu Media Co., Ltd., a subsidiary of the Group, is still in the process of liquidation, the Group has made an one-off investment impairment provision of RMB20.3 million during 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT

The Board of Directors (“Directors”) of Dahe 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 31 March 2009, together with the comparative figures for the corresponding periods in 2008 as follows: (These financial statements were unaudited but were reviewed by the Audit Committee of the Company.)

	Notes	Unaudited	
		For the three months ended 31 March	
		2009	2008
		RMB'000	RMB'000
Turnover	2	80,558	79,342
Cost of sales		(56,911)	(55,737)
Gross profit		23,647	23,605
Other gain or loss		(319)	153
Distribution costs		(10,659)	(8,859)
Administrative expenses		(10,045)	(8,258)
Profit from operations		2,624	6,641
Finance costs		(2,185)	(2,550)
Profit before taxation		439	4,091
Income tax	3	(382)	(604)
Profit for the period		57	3,487
Attributable to:			
Equity holders of the Company		362	3,811
Minority interests		(305)	(324)
		57	3,487
Dividend to equity holders of the Company attributable to the period	4	—	—
Earnings per share			
- Basic (RMB)	5	0.04 cent	0.46 cent
- Diluted (RMB)	5	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS:

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and Chapter 18 of the GEM Listing Rules.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2008. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the audited annual financial statements of the Group for the year ended 31 December 2008.

2. TURNOVER

Turnover by segments

	For the three months ended 31 March	
	2009	2008
	RMB'000	RMB'000
	Unaudited	Unaudited
Income from the business of outdoor advertising painting production business	15,428	21,608
Income from the business of terminal dissemination service	16,221	13,404
Income from the business of outdoor media dissemination	48,909	44,330
	<u>80,558</u>	<u>79,342</u>

3. INCOME TAX

The provision for PRC Enterprise Income Tax (“EIT”) is based on the estimated taxable income for PRC taxation at the rate of taxation applicable for the year.

In accordance with the new PRC Enterprise Income Tax Law which became effective from 1 January 2008, a unified enterprise income tax rate of 25% will be applied to both domestic invested enterprises and foreign-invested enterprises. Enterprises established prior to 16 March 2007 eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations shall, under the regulations of the State Council of the PRC, gradually be subject to the new tax rate over a five-year transitional period until 2012. Accordingly, the Company is eligible for a preferential EIT rate of 20% for the three months ended 31 March 2009 (2008: 18%). A standard EIT rate of 25% (2008: 25%) is applicable to the subsidiaries of the Company.

4 DIVIDEND

The board of directors does not recommend the payment of an interim dividend for the three months ended 31 March 2009 (2008: nil).

5. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months ended 31 March 2009 is based on the profit attributable to equity holders of the Company of RMB362,000 (For the three months ended 31 March 2008: profit of RMB3,811,000) and on the weighted average number of shares in issue of 830,000,000 (2008: 830,000,000).

During the three months ended 31 March 2008 and 31 March 2009, the warrant granted to MediaCorp Pte Ltd., which entitled MediaCorp Pte Ltd. to subscribe for 20% equity interest in Beijing Millennium Ankang International Media Co. Ltd., a subsidiary of the Company, had an anti-dilutive effect on the basic earnings per share, and accordingly diluted earnings per share amount for the period has not been disclosed.

6. RESERVES

	Share premium and capital reserves RMB'000 Unaudited	Statutory surplus reserve RMB'000 Unaudited	Retained profits RMB'000 Unaudited	Total reserves RMB'000 Unaudited
As at 1 January 2008	95,914	19,655	92,394	207,963
Profit for the period	—	—	3,811	3,811
As at 31 March 2008	95,914	19,655	96,205	211,774
Valuation gain on reclassification as investment properties and income recognised directly in equity	1,507	—	—	1,507
Profit for the period	—	—	(2,066)	(2,066)
Dividend declared and paid	—	—	(5,561)	(5,561)
Appropriations from retained profits	—	1,794	(1,794)	—
As at 1 January 2009	97,421	21,449	86,784	205,654
Profit for the period	—	—	362	362
As at 31 March 2009	97,421	21,449	87,146	206,016


MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended 31 March 2009, the Group recorded a turnover of approximately RMB80,558,000, representing an increase of approximately 1.53% as compared with the corresponding period of last year. Of which, revenue from media dissemination, terminal dissemination service and media production businesses accounted for approximately 60.71% (2008: 55.87%), 20.14% (2008: 16.90%) and 19.15% (2008: 27.23%) respectively of the gross turnover. During the period, profit attributable to shareholders amounted to approximately RMB362,000, representing a decrease of approximately RMB3,449,000 as compared with the corresponding period of last year. The decrease was mainly attributed to: Affected by the financial turmoil, some customers placed less orders for advertisements and suppressed advertising prices; the Company failed to achieve the expected target for sales growth; newly established branches led to an increase in relevant expenses; the increase in domestic labour costs led to an increase of approximately RMB2,000,000 in human resources costs. Earnings per share decreased to RMB0.04 cent.

During the period under review, turnover of the Group's media dissemination business was approximately RMB48,909,000, representing an increase of approximately 10.3% as compared with the corresponding period of last year. Currently, the Group continues to own outdoor media resources of approximately 200,000 square metres which are distributed over various major cities throughout the country.

During the period, the influence of the "Enkon Express Media" continued to increase. Currently, approximately 7,000 advertising boards targeting 6 million households with medium and high income in nearly 4,000 communities have been set up. Its innovative "One-stop Payment with UnionPay" ("銀聯社區繳費一站通") project was upgraded into an integrated community media service station. Self-service payment machines with "Enkon Express Media" as the carrier have been launched in nearly 100 communities. According to an independent market research undertaken by CTR, the media contact rate of "Enkon Express Media" was 100%; the degree of media acceptance was 90% and the degree of attraction was 89%. The coverage has been extended to Beijing, Shanghai, Nanjing, Guangzhou, Hangzhou, Shenzhen, Shenyang and Chengdu. This brought outdoor media dissemination resources of approximately 50,000 square metres to the Group.

On 13 January 2009, "Enkon Express Media" renewed its contract with Wang Laoji with a contract value of RMB15.86 million. The contract made confirmation in relation to partnership between them and future media sites. The Group believes this project will generate considerable returns for the Group.

A decorative background at the top of the page features a stylized, sepia-toned map of East Asia, showing parts of China, Korea, and Japan. The map is partially obscured by a curved, dark orange border that sweeps across the top right corner.

During the period, “Enkon Express Media” also further its cooperation with customers such as LensCrafters (亮視點), Qiandao Lake Travel (千島湖旅遊), Tetra Pak (利樂包裝), Huaxia Bank and Macalline. Recent focus was placed on sales to customers in industries such as travel, automobile, milk products, communication, finance and insurance and satellite TV. A major breakthrough was made in travel customers. Qiandao Lake (千島湖), Wuzhen (烏鎮), West Zhejiang Grand Canyon (浙西大峽谷) and Shaoxing Culture and Tourism (紹興文旅) had commenced cooperation. The headquarters established a special group for tourism to offer specialised guidance to branches on facilitating cooperation with tourism customers. It is expected that some customers will commence comprehensive cooperation in the near future.


During the period, “Outdoor Media” commenced cooperation with Changan Automobile, Wang Laoji, Yanghe Wine (洋河酒業) and Zhejiang Guangsha (浙江廣廈) in media dissemination. Recently, Amway Shanghai and Hangzhou Media (杭州媒體) renewed contracts of more than RMB6 million. The contracted value for March in respect of overall outdoor media exceeded RMB15 million, marking a good beginning for the second quarter.

During the period, the Group continued to deepen the terminal dissemination services business. As at 31 March 2009, the turnover of the terminal dissemination services business amounted to approximately RMB16,221,000, an increase of approximately 21% over the corresponding period of last year.

During the period under review, “Terminal Dissemination” continued to serve customers such as Nike, Wang Laoji, Walmart and Shell. In particular, the contracted amount for the Nike project amounted to RMB7.32 million for the first quarter; the contracted amount for the Wang Laoji project amounted to RMB6.14 million. By taking advantage of the Olympic Games, all branches accelerated progress in government tender invitation and bidding projects. Bids were successively won in projects such as Beijing Agricultural Bank, Chengdu Agricultural Bank and Bank of China, Anhui. Currently, the Group is actively following up with the bidding of several major projects.

During the period under review, turnover of the Group’s media production business was approximately RMB15,428,000, representing a decrease of approximately 28.6% as compared with the corresponding period of last year and accounting for approximately 19.15% of the Group’s total turnover.

During the period, the Group established an activity operation centre, develop customer end marketing strategic activity partners by capitalising on the Company’s background, network, production team and logistics system advantages, and made full use of the activity platform to undertake large-scale events and explore new profit growth points.



During the period, the Group also undertook internal control tasks and formulated and refined system documents such as production technology management, supply chain management, financial management and document management, and monitored the implementation of systems such as sample production, procurement management, fees reimbursement and project cost accounting. The direct participation by the internal control department in key project customer cost management will effectively increase project profit room.

In February 2008, the Group entered into a Share Subscription Agreement with MediaCorp Pte Ltd (“MediaCorp”), a wholly-owned subsidiary of Temasek Holdings (Private) Limited, pursuant to which the Group conditionally agreed to allot and issue 154,000,000 new non-circulating shares to MediaCorp, representing approximately 18.55% of the Group’s existing issued share capital, and representing approximately 15.65% of the Group’s enlarged issued share capital subsequent to the issue of Subscription Shares. On 15 April 2009, the Group received a notice from MediaCorp to terminate the Share Subscription Agreement. The Group will closely follow up with the matter and make disclosures about the matter in accordance with the GEM Listing Rules when necessary.

During the period, Chongqing Dahe Bashu Media Co., Ltd. (重慶大賀巴蜀傳媒有限公司), a subsidiary of the Group, was still under the liquidation process. In September 2007, outdoor media resources were distributed before the court and the Group had been allocated 11,552.50 square metres of outdoor media resources. Later, because of reasons such as the expiry of the leases for some premises and market regulation, up to present, media resources have been reduced by 4,212.8 square metres. The remaining media resources of 7,339.7 square metres are under sales.

In February 2009, entrusted by the liquidation team of Chongqing Dahe Bashu Media Co., Ltd., the Chongqing Municipal Fifth Intermediate People’s Court conducted public auction for the 10% equity interests in Sichuan Xintianjie Media Technology Co., Ltd. (四川新天杰傳媒科技有限公司) held by Chongqing Dahe Bashu Media Co., Ltd. The Company concluded the transaction at the bid price of RMB500,000. Upon completing the conclusion procedures, the Company will hold 60% equity interests in Sichuan Xintianjie Media Technology Co., Ltd. (四川新天杰傳媒科技有限公司).



OUTLOOK

In the first quarter of 2009, the economic situation of the PRC was still affected by the repercussions of the international financial crisis of the last year. However, there are signs of gradual recovery of the macroeconomy of the PRC and the second quarter is expected to see a continued pickup. Since its entry into the WTO, the PRC has benefited from the impact of the transformation of the social economy. While the average national income and purchasing power have kept rising, the consumer market is expanding simultaneously. The Group believes the PRC will become the largest consumer market in the world over a couple of years. With the favourable factors as mentioned above, domestic and international enterprises have placed increasing importance on the PRC market and will focus on improving brand image and product awareness. Therefore, the prospects of the PRC promotion market and the outdoor advertising media business are very bright. The Group will also follow market needs closely and adopt a proactive development strategy in response to changes in the market.

In addition, international events such as the 60th anniversary of the foundation of the People's Republic of China, the 2010 Shanghai World Expo and the 2010 Guangzhou Asian Games also create good opportunities for the PRC advertising market, increasing market demand for outdoor advertisements and further driving overall business development to a peak. To increase the Group's market share in the outdoor advertising media business, the Group will strive to strengthen its existing operations, extend coverage to include all major provinces throughout the country and establish an extensive nationwide advertising media network.

To lay a solid foundation for its future development, the Group will also make active efforts in developing new businesses. In particular, the "Enkon Express Media" project focuses on the clear positioning of a "media of lofty life style" and arouses market attention by making the "One-stop Payment with UnionPay" ("銀聯社區繳費一站通") project a new growth point. Besides, actively increasing the advertising value and the launching rate is also a major policy for this year and community e-commerce businesses will be gradually developed on this basis in the future to create an integrated information dissemination trading platform for advertisement dissemination in the community.

It is anticipated that 2009 will be a year full of challenges and opportunities. By adopting the policy of strengthening existing operations and developing new business platforms, the Group will take a proactive attitude in securing more major customers, increasing service quality and asset scale, enhancing the corporate governance system, increasing the production and lease rates of multi-media system advertisements, seeking for breakthroughs amidst the downturn and seizing opportunities with a view to becoming one of the strongest media groups in the PRC and one of the most respectable media groups in the world.



FINANCIAL REVIEW

TURNOVER

For the three months ended 31 March 2009 (“Period under review”), the Group’s turnover was approximately RMB80,558,000, representing an increase of approximately 1.53% as compared with the corresponding period of last year. The increase was mainly attributable to the increase from the incomes in terminal dissemination service business.

GROSS PROFIT

During the Period under review, gross profit was approximately 29.3%, representing a decrease of approximately 0.4 percentage points over 29.7% of the corresponding period of last year.

DISTRIBUTION COSTS

During the Period under review, distribution costs increased by 20% as compared with the corresponding period of last year. The increase was mainly due to the increase in staff salaries and coordination, building rentals.

ADMINISTRATION EXPENSES

During the Period under review, administration expenses increased by 22% as compared with the corresponding period of last year, mainly attributable to an increase in provision for bad debts.

FINANCIAL EXPENSES

During the Period under review, financial expenses were approximately RMB2,185,000, representing a decrease of 14% as compared with the corresponding period of last year.

DIVIDENDS

The Directors do not recommend distribution of an interim dividend for the three months ended 31 March 2009 (2008: nil).



FUTURE MAJOR INVESTMENT PLANS AND EXPECTED SOURCE OF FUNDS

The Group will continue to integrate the existing operations, at the same time identify new business opportunities which may supplement or strengthen the existing operations. As at 31 March 2009, the Group has yet not set up any specific plans.

WORKING CAPITAL AND FINANCIAL RESOURCES

The Group has adopted a prudent financial management policy and maintained a strong financial status. As at 31 March 2009, net current asset was approximately RMB6,041,000 (As at 31 December 2008: approximately RMB2,985,000).

As at 31 March 2009, bank balance and cash held by the Group amounted to approximately RMB204,660,000 (As at 31 December 2008: approximately RMB206,174,000).

As at 31 March 2009, the Group has bank borrowings of approximately RMB282,000,000 and total assets of approximately RMB716,360,000. Gearing ratio was approximately 39% (As at 31 December 2008: Gearing ratio was approximately 38%).

RISK OF FOREIGN EXCHANGE

As the Group's income and expenditure are denominated in RMB, therefore, the Group has no exposure to foreign exchange risks.

IMPORTANT INVESTMENT

During the Period under review, the Group has no increase in important investment.

IMPORTANT ACQUISITION AND DISPOSAL

During the Period under review, the Group has no important acquisition and disposal.

STAFF

As at 31 March 2009, the Group has about 1,150 full-time staff. During the Period under review, cost of staff was approximately RMB12,367,000 (Corresponding period in 2008: approximately RMB10,370,000).



CONTINGENT LIABILITIES

As at 31 March 2009, the Group has not any material contingent liabilities.

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 Period under review.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors nor supervisors of the Company (“Supervisors”) nor 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 31 March 2009.

RIGHT OF FIRST REFUSAL

There is no provision of any right of first refusal in the Company’s Articles of Association requiring the Company to issue new shares proportionately to the existing shareholders.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the Period under review, the Company has continued to adopt a set of transaction standards in respect of securities transactions by Directors, which are no less stringent than that stipulated in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific inquiries to all the Directors, and is not aware of any violation of the transaction standards and the standard code in respect of securities transactions by Directors as required.

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

As at 31 March 2009, 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”) were also applicable to the Supervisors) in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) 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 Rule 5.46 of the GEM Listing Rules were as follows:

Name of Director/Supervisor (note 1)	Name of company/ associated corporation	Capacity	Number and class of securities (note 2)	Approximate percentage of shareholding in the relevant class of securities
He Chaobing	The Company	Interest of a controlled corporation (note 3)	409,000,000 domestic shares of RMB0.10 each (L)	70.52%
He Lianyì	The Company	Beneficial owner	6,400,000 domestic shares of RMB0.10 each (L)	1.10%
Wang Mingmei	The Company	Beneficial owner	3,800,000 domestic shares of RMB0.10 each (L)	0.66%

Notes:

- All of the persons named above are Directors, except Ms. Wang Mingmei who is a Supervisor.
- The letter “L” denotes the Director’s/Supervisor’s long positions in such shares.
- The interests in the domestic shares were held through Jiangsu Dahe International Advertising Group Co., Ltd. (“Dahe International”) which was 90% owned by Mr. He Chaobing.

Save as disclosed above, as at 31 March 2009, 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 Rule 5.46 of the GEM Listing Rules.

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

A. SUBSTANTIAL SHAREHOLDERS

As at 31 March 2009, 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 <i>(note 1)</i>	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the share capital of the Group <i>(note 4)</i>
Dahe International	Beneficial owner	409,000,000 domestic shares of RMB0.10 each (L)	70.52%	49.28%
He Chaobing	Interest of a controlled corporation <i>(note 2)</i>	409,000,000 domestic shares of RMB0.10 each (L)	70.52%	49.28%
Yan Fen	Interest of spouse <i>(note 3)</i>	409,000,000 domestic shares of RMB0.10 each (L)	70.52%	49.28%

Notes:

1. The letter "L" denotes the person's/entity's long positions in the domestic shares of the Company.
2. The interest in the domestic shares were held through Dahe International which was 90% owned 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 31 March 2009, save for the persons/entities disclosed in sub-section A above, the following entities/persons 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 3)
Yan Jian	Beneficial owner	71,800,000 domestic shares of RMB0.10 each (L)	12.37%	8.66%
Nanjing State-owned Assets Management Holdings (Group) Company Limited (南京市國有資產投資管理控股(集團)有限責任公司)	Beneficial owner (note 2)	50,000,000 domestic shares of RMB0.10 each (L)	8.62%	6.02%
南京市浦口區晨威油墨廠	Beneficial owner	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%

Notes:

1. The letter “L” denotes the person’s/entity’s long positions 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 60% owned by Nanjing State-owned Assets Investment Management Holdings (Group) Company Limited (南京市國有資產投資管理控股(集團)有限責任公司).
3. 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 31 March 2009 in the register required to be kept under section 336 of the SFO.

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

During the Period under review, none of the Directors of the Company is aware of any information which reasonably indicates that there has been non-compliance with the code provisions as set out in the Code of Practices under Corporate Governance as set out in Appendix 15 of the GEM Listing Rules of the Stock Exchange in any time during the accounting period covered under the current report.



AUDIT COMMITTEE

The Company established an audit committee on 23 October 2003 with written terms of reference made in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company. The audit committee comprises three independent non-executive directors, Mr Sun Yingcai, Mr Ge Jianya and Mr Ye Jianmei. The audit committee has reviewed this quarterly report in accordance with Rule 5.30 of the GEM Listing Rules.

By Order of the Board
He Chaobing
Chairman

Nanjing, the PRC
12 May 2009

As at the date of this report, the Board comprises Mr. He Chaobing and Mr. Yang Jianliang, being the executive Directors, Mr. Sun Yingcai, Mr. Ge Jianya and Ms. Ye Jianmei, being the independent non-executive Directors, and Mr. Li Huafei, Mr. He Lianyi and Ms. Chan E Nam Viveca, being the non-executive Directors.