



# 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)



## 2011

### 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 positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. 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 companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities trade 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, for which the directors of Dahe Media Co., Ltd. collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Dahe Media Co., Ltd.. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



## HIGHLIGHTS

- For the three months ended 31 March 2011, the Group realised a turnover of approximately RMB77,380,000, representing an increase of approximately 0.9% over the same period of 2010.
- Gross turnover of the Group for the three months ended 31 March 2011 was mainly from media dissemination, terminal dissemination and media production businesses, representing approximately 51.75% (three months ended 31 March 2010: 52.84%), 31.34% (three months ended 31 March 2010: 27.25%) and 16.91% (three months ended 31 March 2010: 19.91%) respectively of the gross turnover.
- For the three months ended 31 March 2011, profit attributable to the owners of the Company was approximately RMB1,035,000, representing an increase of approximately 44%.
- Earnings per share were approximately RMB0.12 cent (2010: RMB0.09 cent)
- The Board did not recommend the payment of an interim dividend for the three months ended 31 March 2011 (2010: nil).



The Board of Directors (the “Board”) of Dahe Media Co., Ltd. (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together the “Group”) for the three months ended 31 March 2011, together with the comparative figures for the corresponding period in 2010 as follows, which has been reviewed by the audit committee of the Company:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  |       | <b>Unaudited</b>            |             |
|--|-------|-----------------------------|-------------|
|  |       | <b>For the three months</b> |             |
|  |       | <b>ended 31 March</b>       |             |
|  | Notes | <b>2011</b>                 | 2010        |
|  |       | <b>RMB'000</b>              | RMB'000     |
| Turnover   | 2     | <b>77,380</b>               | 76,705      |
| Cost of sales  |       | <b>(50,819)</b>             | (53,906)    |
|  |       | <hr/>                       | <hr/>       |
| Gross profit   |       | <b>26,561</b>               | 22,799      |
| Other income and net gain                            |       | <b>31</b>                   | 115         |
| Distribution costs                                   |       | <b>(10,290)</b>             | (10,424)    |
| Administrative expenses                              |       | <b>(11,336)</b>             | (8,732)     |
|  |       | <hr/>                       | <hr/>       |
| Profit from operations                               |       | <b>4,966</b>                | 3,758       |
| Finance costs  |       | <b>(3,174)</b>              | (2,651)     |
|  |       | <hr/>                       | <hr/>       |
| Profit before income tax                             |       | <b>1,792</b>                | 1,107       |
| Income tax expenses                                  | 3     | <b>(464)</b>                | (437)       |
|  |       | <hr/>                       | <hr/>       |
| Profit and total comprehensive income for the period |       | <b>1,328</b>                | 670         |
|  |       | <hr/> <hr/>                 | <hr/> <hr/> |
| Attributable to:                                     |       |                             |             |
| Owners of the Company                                |       | <b>1,035</b>                | 719         |
| Non-controlling interests                            |       | <b>293</b>                  | (49)        |
|  |       | <hr/>                       | <hr/>       |
|  |       | <b>1,328</b>                | 670         |
|  |       | <hr/>                       | <hr/>       |
| Earnings per share                                   |       |                             |             |
| - Basic (RMB)  | 5     | <b>0.12 cent</b>            | 0.09 cent   |
|  |       | <hr/> <hr/>                 | <hr/> <hr/> |



## NOTES TO THE CONDENSED FINANCIAL INFORMATION

### 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 2010. 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 2010.

### 2. TURNOVER

Turnover represents the invoiced value of goods sold and services provided to customers after any allowance and discounts and is analysed as follows:

|                                     | For the three months<br>ended 31 March |           |
|-------------------------------------|--|-----------|
|                                     | 2011                                   | 2010      |
|                                     | RMB'000                                | RMB'000   |
|                                     | Unaudited                              | Unaudited |
| Income from the media dissemination | <b>40,047</b>                          | 40,532    |
| Income from terminal dissemination  | <b>24,249</b>                          | 20,898    |
| Income from media production        | <b>13,084</b>                          | 15,275    |
|                                     | <b>77,380</b>                          | 76,705    |

### 3. INCOME TAX EXPENSE

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 being qualified as a high new technology enterprise in the PRC are subject to an applicable national EIT rate of 15%. Accordingly, the Company is eligible for a preferential EIT rate of 15% for the three months ended 31 March 2011 (2010: 15%). The subsidiaries of the Company are subject to standard EIT rate of 25% for the three months ended 31 March 2011 (2010: 25%).



#### 4 DIVIDEND

The board of directors does not recommend the payment of an interim dividend for the three months ended 31 March 2011 (2010: nil).

#### 5. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months ended 31 March 2011 is based on the profit attributable to ordinary equity owners of the Company of RMB1,035,000 (For the three months ended 31 March 2010: profit of RMB719,000) and the weighted average number of shares in issue of 830,000,000 (2010: 830,000,000).

#### 6. RESERVES

|  | Share capital<br>RMB'000<br>Unaudited | Share<br>premium<br>and capital<br>reserves<br>RMB'000<br>Unaudited | Statutory<br>surplus<br>reserve<br>RMB'000<br>Unaudited | Retained<br>profits<br>RMB'000<br>Unaudited | Total<br>reserves<br>RMB'000<br>Unaudited |
|--|---------------------------------------|---|---|---|---|
| As at 1 January 2010                         | 83,000                                | 97,421  | 23,476  | 94,386                                      | 298,283                                   |
| Total comprehensive<br>income for the period | —                                     | —   | —   | 719   | 719                                       |
| As at 31 March 2010                          | <u>83,000</u>                         | <u>97,421</u>   | <u>23,476</u>   | <u>95,105</u>                               | <u>299,002</u>                            |
| As at 1 January 2011                         | 83,000                                | 97,421  | 25,218  | 108,472                                     | 314,111                                   |
| Total comprehensive<br>income for the period | —                                     | —   | —   | 1,035                                       | 1,035                                     |
| As at 31 March 2011                          | <u>83,000</u>                         | <u>97,421</u>   | <u>25,218</u>   | <u>109,507</u>                              | <u>315,146</u>                            |



## MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended 31 March 2011 (“period under review”), the Group recorded a turnover of approximately RMB77,380,000 (three months ended 31 March 2010: RMB76,705,000), representing an increase of approximately 0.9% compared to the corresponding period of last year. During the period, profit attributable to owners of the Company increased by approximately 44% to RMB1,035,000 from the corresponding period of last year (three months ended 31 March 2010: RMB719,000). Earnings per share increased by 33% to RMB0.12 cent.

The revenue from outdoor advertising media dissemination business, terminal dissemination business and outdoor advertising media production business accounted for approximately 51.75% (2010: 52.84%), 31.34% (2010: 27.25%) and 16.91% (2010: 19.91%) respectively of the Group’s total revenue during the period. The Board does not recommend the payment of the interim dividend for the three months ended 31 March 2011 (2010: nil).

During the period under review, outdoor advertising media dissemination business recorded a turnover of approximately RMB40,047,000, a decrease of approximately 1.2% year-on-year. Currently, the Group has outdoor media resources of approximately 200,000 square metres, mainly billboards in expressways, billboards on building roofs in urban areas and landscape boards along roads, with business covering 64 major cities in China. During the period, the average launching rate of the Group’s outdoor media remained at about 70%, with major customers from various industries such as fast moving consumer goods, machineries, real estate, finance and tourism.

During the period under review, “Enkon Express Media”, the Group’s core business, also continued to win the favour of advertisers and contributed approximately RMB15,375,000 and RMB401,000 to the Group’s total turnover and profit respectively representing an increase of 27% and 48% respectively compared with the corresponding period last year. Currently, the Group has set up approximately 8,000 advertising boards targeting 9 million medium and high income households in nearly 5,500 communities, covering cities such as Beijing, Shanghai, Guangzhou, Nanjing, Shenzhen, Chengdu, Hangzhou and Shenyang, and contributing total outdoor media dissemination resources of approximately 35,000 square metres



Meanwhile, “Enkon Express Media” continued to focus on expansion into sectors including finance, travel, communication and fast moving consumer goods. It has entered into cooperation agreements with ICBC, Everbright Bank, Suning Electric, the Tourism Board of the Thousand Island Lake (千島湖旅遊局), Shenzhen Skyworth, China Sciences Group, Longfeng Food (龍鳳食品), and Sanyuan Foods. It has also entered into partnership with various famous domestic and international brands such as China Mobile, Mazda, NVC Lighting, Carrefour, Wal-Mart, China Telecom, New City Real Estate (新城市置業) and Shenyin Wanguo. The project even successfully entered into contracts with Anhui Satellite TV, Jiangsu Satellite TV and Jiangxi Satellite TV, and is expected to become a new carrier for television media publicity. “Enkon Express Media” was also named as the “Famous Brand in Nanjing (南京市名牌產品)” for its information technology, which further assured the Group’s leading position in the market. The innovative ungraded version of “Enkon Express Media 3.0” combines brand promotion and community sales, including high-definition lamphouse, e-magazines, one-stop community payment service, video-ads, dynamic outdoor and community activities. It built an innovative dissemination platform catering to diversified customer business and provided comprehensive “advertising + marketing” services to incorporate functions such as media dissemination, commonweal community information dissemination and self-service payment in daily life.

During the period under review, “Outdoor Media” conducted cooperation with famous enterprises such as Amway (安利), Meifu (美孚), Jiangxi Satellite TV and Anhui Satellite TV in media dissemination. Cooperation agreements with a contract value of more than RMB20,000,000 were entered into.

The Group continued to further its “terminal dissemination service” business during the Period. As of 31 March 2011, turnover of the terminal dissemination service business amounted to approximately RMB24,249,000, an increase of approximately 16% over the same period of last year.

“Terminal Dissemination” continued to serve customers such as Nike, Wang Laoji, Wal-mart, Huatai Securities, 華潤萬家, Li Ning and Best Buy. The contracted value of the projects with Wang Laoji, Wal-mart, and Huatai Securities was almost RMB10,000,000. Currently, the Group’s 360° Business Terminal Manager serves a number of renowned domestic and international brands including Nike, GPHL, Midea, TINGYI, Puma, B&Q, Wang Laoji, Wal-mart and Huatai Securities.





During the period under review, turnover of the Group's media production business was approximately RMB13,084,000, representing a decrease of approximately 14% as compared with the corresponding period of last year and accounting for approximately 16.91% of the Group's total turnover.

As one of the four top advertising enterprises in China, the Group has won recognition from peers for its contributions to the industry. In March 2011, the Group was listed among the "Top 500 Jiangsu Enterprises", which has confirmed the Group's achievements in corporate public influence, business thinking innovation, industry development contribution and business model changes. In the same month, Mr. He Chaobing, our Chairman, has also won the "Grand Award for People influencing China's advertising for 30 years", which shows his important role in leading the Group to promote the development of China's advertising industry. In addition, the Group's Shanghai subsidiary, in its integrated governance creation work, has fully completed the task of safety building and Expo security advocated by the Shanghai municipal government, and won the title "Shanghai Safety Unit".

## **OUTLOOK**

Having gone through the global financial crisis, China's economy continued to grow steadily with promising market outlook in the first quarter of 2011. Consumer sentiment increases significantly with increased national incomes, companies are also increasing promotion costs for advertising to create demand, which is conducive to the development of the advertising industry. In 2010, the cultural industry was for the first time included in the planning proposals for national economic and social development in the "Second Five-Year Plan Proposal", and was promoted as a strategic objective of "pillar industries in national economy" as a step to further implement the "Revitalization Plan of Cultural Industry" introduced by the State Council in July 2009. The cultural industry has increasing weight in national economy and its development has become a new bright spot of economic development. Under the dual forces of favourable national policy and stable growth of domestic demand, we are optimistic about the mid and long-term development of outdoor media in China.

Until the end of 2010, the Chinese government has achieved significant results in regulating outdoor advertising media. We believe that this policy will effectively regulate the good and the bad of the advertising industry and eliminate illegal advertising, which is favorable to the long-term healthy development of the advertising industry. The Group will also take this opportunity to maximise its own advantages to attract more outdoor advertising resources through consolidating existing strong penetration in first-tier cities and focusing on developing second and third tier cities, so as to meet the trend of market development and market demand.



In 2011 and later years, China will host several events, including the 2011 Shenzhen Universiade, 2014 Nanjing Youth Olympic and other international activities, which are expected to create significant opportunities for China's advertising market and further stimulate outdoor advertising demands. We expect that 2011 will be a year full of opportunities. The Group will actively participate in project bidding by using resources. As a high and new technology enterprise and one of the Top 500 Jiangsu Enterprises, the Group has been at the forefront of industry innovation development. In the future, we will certainly continue our effort on developing new information platform, strengthening corporate governance system, optimizing service quality and enhancing media distribution and terminal communication services, as as to maintain our strength as an industry leader.

## **FINANCIAL REVIEW**

### **TURNOVER**

For the period under review, the Group's turnover was approximately RMB77,380,000, representing an increase of approximately 0.9% as compared with the corresponding period of last year.

### **GROSS PROFIT**

During the period under review, gross profit was approximately 34.3%, representing an increase of approximately 4.6 percentage points over 29.7% of the corresponding period of last year.

### **DISTRIBUTION COSTS**

During the period under review, distribution costs decreased by 1.3% as compared with the corresponding period of last year.

### **ADMINISTRATION EXPENSES**

During the period under review, administration expenses increased by 29.8% as compared with the corresponding period of last year, mainly attributable to the increase in development expenses.

### **FINANCIAL EXPENSES**

During the period under review, financial expenses were approximately RMB3,174,000, representing an increase of 19.7% 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 2011 (2010: 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 2011, the Group has 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 2011, net current asset was approximately RMB86,381,000 (As at 31 December 2010: approximately RMB81,843,000).

As at 31 March 2011, bank balance and cash held by the Group amounted to approximately RMB124,350,000. Bank borrowings amounted to approximately RMB207,000,000. Net debt to equity ratio was approximately 24%, i.e. the percentage of bank loans less bank balance and cash in net assets amounting to RMB345,870,000 (As at 31 December 2010: net debt to equity ratio was approximately 19%).

## **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 2011, the Group has about 1,000 full-time staff. During the period under review, cost of staff was approximately RMB12,900,000 (corresponding period in 2010: approximately RMB11,581,000).



## **CONTINGENT LIABILITIES**

As at 31 March 2011, the Group has no material contingent liabilities.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

The Group 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 2011.

## **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 2011, 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<br>(note 1) | Name of company/<br>associated corporation | Capacity                                      | Number and class<br>of securities<br>(note 2)   | Approximate<br>percentage of<br>shareholding<br>in the relevant<br>class of securities |
|---|--|---|---|--|
| He Chaobing                             | The Company                                | Interest of a controlled corporation (note 3) | 418,000,000 domestic shares of RMB0.10 each (L) | 72.07%   |
| He Lianyi                               | 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:

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 long positions in such shares.
3. The interests in the domestic shares were held through 大賀投資控股集團有限公司 (Former "Jiangsu Dahe International Advertising Group Co., Ltd") which was 90% owned by Mr. He Chaobing and 10% owned by Mr. He Pengjun, who is the son of Mr. He Chaobing.

Save as disclosed above, as at 31 March 2011, 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 2011, 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<br>(note 1)      | Approximate percentage of shareholding in the relevant class of securities | Approximate percentage of shareholding in the share capital of the Group<br>(note 4) |
|-----------------------|--|---|--|--|
| 大賀投資控股集團有限公司 (note 5) | Beneficial owner                                 | 418,000,000 domestic shares of RMB0.10 each (L) | 72.07%   | 50.36%   |
| He Chaobing           | Interest of a controlled corporation<br>(note 2) | 418,000,000 domestic shares of RMB0.10 each (L) | 72.07%   | 50.36%   |
| Yan Fen               | Interest of spouse (note 3)                      | 418,000,000 domestic shares of RMB0.10 each (L) | 72.07%   | 50.36%   |

Notes:

- The letter "L" denotes the person's/entity's long positions in the domestic shares of the Company.
- The interest in the domestic shares were held through 大賀投資控股集團有限公司 which was 90% owned by Mr. He Chaobing and 10% owned by Mr. He Pengjun, who is the son of Mr. He Chaobing.
- 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.
- Domestic shares and H Shares of the Company are treated as the same class of shares for such purpose.
- Jiangsu Dahe International Advertising Group, Co., Ltd. changed its name to "大賀投資控股集團有限公司" in March 2011.



## 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 2011, 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<br>(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<br>(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<br>(南京市國有資產投資管理控股(集團)有限責任公司) | Beneficial owner<br>(note 2) | 50,000,000 domestic shares of RMB0.10 each (L) | 8.62%  | 6.02%  |
| 南京市浦口區<br>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 2011 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, 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.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

As updated and notified by the Company's compliance adviser, Guangdong Securities Limited (the "Compliance Adviser"), none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 March 2011 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to an agreement dated 13 July 2009 entered into between the Company and the Compliance Adviser, the Compliance Adviser will receive a fee for acting as the Company's compliance adviser for the period from 13 July 2009 to 12 July 2011 or until the agreement is terminated in accordance with the terms and conditions set out therein.

## 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 nonexecutive directors, Mr Sun Yingcai, Mr Ge Jianya and Mr Ye Jianmei. The audit committee has reviewed this First quarterly report in accordance with the GEM Listing Rules.

By Order of the Board  
**He Chaobing**  
Chairman

Nanjing, the PRC  
16 May 2011

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

\* For identification purpose only