

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

1. ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention and in accordance with the International Accounting Standards ("IAS"), and have been reviewed by the Audit Committee of the Company. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended December 31, 2000.

As the Company was incorporated on October 18, 2000, the condensed consolidated financial statements as at and for the six months ended June 30, 2000 have been prepared as if the current structure of the Group had been in existence throughout the year ended December 31, 2000 rather than from the incorporation date of the Company.

2. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging (crediting) the following:

	Six months ended June 30	
	2001	2000
	RMB'000	RMB'000
After charging:		
Interest expense on bank loans repayable within five years	-	26
Less: amounts capitalised in assets under construction	-	-
Net interest expense	-	26
Depreciation	44,851	48,298
Amortisation	560	-
Loss on disposal of property, plant and equipment	1,829	9
Operating lease rentals	20,317	12,444
Provision for (write back of) decline in net realisable value of inventories	245	(481)
Cost of inventories	6,630	6,849
Contributions to defined contribution pension scheme	308	344
Exchange loss	55	41
Provision for housing fund	385	138
After crediting:		
Interest income	18,010	1,208

3. TAXATION

Pursuant to PRC income tax law, for the six months ended June 30, 2000, the Company is

subject to enterprise income tax at a rate of 33% on the taxable income as reported in its statutory accounts which are prepared in accordance with the accounting principles and financial regulations applicable to PRC enterprises. However, the Company was registered as a new technology enterprise in October, 2000 in Zhongguancun Haidian Science Park and has been approved by the Haidian State Tax Bureau to enjoy an exemption from enterprise income tax for the period from October 1, 2000 to December 31, 2002.

The Company's subsidiaries are entitled to different preferential tax rates ranging from 7.5% to 33%. In addition, these subsidiaries are entitled to certain reductions in tax rates in their initial years of operation. The taxation of the Group for the six months ended June 30, 2001 represents the income tax provisions made by these subsidiaries.

4. EARNINGS PER SHARE

Earnings per share for the six months ended June 30, 2001 and June 30, 2000 have been computed by dividing the corresponding net profit of RMB208,893,000 and RMB110,177,000, by the weighted average number of 823,060,000 ordinary shares in issue, and 577,304,000 shares outstanding immediately prior to the public offering of the Company's shares, respectively.

The weighted average number of ordinary shares for the six months ended June 30, 2001 used as the basis for calculating the earnings per share has been adjusted for the effect of the offering of the Company's shares in February 2001.

No diluted earnings per share are presented for the six months ended June 30, 2001 and June 30, 2000 as there were no potential dilutive ordinary shares outstanding during the periods.

5. STATUTORY RESERVES

For the six months ended June 30, 2001, RMB18,555,000 and RMB9,277,000, representing 10% and 5% of the after tax profits, as reflected in the Company's statutory financial statements prepared under the applicable accounting principles in the PRC, have been transferred to the statutory surplus reserve and the public welfare reserve, respectively.

6. PROPERTY, PLANT AND EQUIPMENT

For the six months ended June 30, 2001, the Group acquired property, plant and equipment amounting to RMB199,989,000.

7. ACCOUNTS RECEIVABLE

The credit period is normally six months after services are rendered.

The aging analysis of accounts receivable is as follows:

June 30, 2001	December 31, 2000
RMB'000	RMB'000

Within 6 months	40,836	38,143
Over 6 months but within 1 year	4,776	15,114
Over 1 year but within 2 years	4,363	4,336
Over 2 years but within 3 years	105	880
	50,080	58,473
Provision for doubtful debts	(2,189)	(2,189)
	47,891	56,284

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The aging analysis of accounts payable is as follows:

	June 30, 2001 RMB'000	December 31, 2000 RMB'000
Within 6 months	15,630	5,779
Over 6 months but within 1 year	5,779	-
Over 1 year but within 2 years	-	581
Over 2 years but within 3 years	581	-
Total accounts payable	21,990	6,360
Accrued liabilities	89,665	58,798
	111,655	65,158

9. SHARE CAPITAL

The Company issued 310,854,000 H shares at HK\$4.1 per share in February 2001. The H shares of the Company were listed on The Stock Exchange of Hong Kong Limited on February 7, 2001.

	Number of shares '000	Amount RMB'000
Authorised:		
Domestic Shares of RMB1 each:		
As at December 31, 2000	577,304	577,304
H Shares of RMB1 each:		
Offering of shares in February 2001	310,854	310,854

Total shares of RMB1 each:		
As at June 30, 2001	888,158	888,158
Issued and fully paid:		
Domestic Shares of RMB1 each:		
As at December 31, 2000	577,304	577,304
H Shares of RMB1 each:		
Offering of shares in February 2001	310,854	310,854
Total shares of RMB1 each:		
As at June 30, 2001	888,158	888,158

10. NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Reconciliation of profit before taxation to cash generated from operating activities:

	Six months ended June 30	
	2001	2000
	RMB'000	RMB'000
Profit before taxation and minority interests	212,455	165,908
Adjustments for:		
Depreciation and amortisation	45,411	48,298
Interest income	(18,010)	(1,208)
Interest expense	-	26
Loss (gain) on disposal of property, plant and equipment	1,829	(9)
Provision for (write-back of) decline in net realisable value of inventories	245	(481)
Share of results from associated companies	(2,251)	(196)
Operating profit before working capital changes	239,679	212,338
(Increase) Decrease in current assets:		
Accounts receivable	8,393	(1,500)
Inventories	2,173	3,312
Prepayments and other current assets	11,852	(8,019)
Due from related parties	(77,867)	51,495
Increase (Decrease) in current liabilities:		
Accounts payable and accrued liabilities	46,497	48,542
Deferred revenue	(2,845)	4,494
Due to related parties	29,232	6,684
Taxes payable	(1,948)	(647)
Cash generated from operating activities	255,166	316,699

11. ADDITIONAL FINANCIAL INFORMATION ON BALANCE SHEET

As at June 30, 2001, the net current assets of the Group amounted to RMB1,818,755,000, and the total assets less current liabilities of the Group amounted to RMB2,271,229,000.

12. COMMITMENTS

(a) Capital commitments

As at June 30, 2001, the Group had the following significant capital commitments:

	<i>RMB'000</i>
Authorised and contracted for	37,495
Authorised but not contracted for	-
Total	37,495

The above capital commitments primarily relate to the acquisition and installation of the new generation electronic travel distribution system.

Approximately RMB29,900,000 of the capital commitments outstanding as at June 30, 2001 were denominated in U.S. dollars (approximately US\$3,600,000).

(b) Operating lease commitments

As at June 30, 2001, the Group had the following commitments under operating leases:

<i>Payable</i>	<i>RMB'000</i>
Within one year	23,401
Later than one year but not later than five years	93,368
Later than five years	100,318
Total	217,087

(c) Technical support fee

As at June 30, 2001, the Group had total technical support fee commitments of approximately RMB6,592,000.