

SALES OF STAFF QUARTERS

The Company made provision for housing fund at certain percentages of each employee's salary in accordance with the applicable regulations. In addition, the Company pays cash housing subsidies to its employees on a monthly basis (approximately Rmb5,000,000 per year starting from 2001). The Company has formulated an one-off cash housing subsidy plan recently. In accordance with this plan, the Company would pay approximately Rmb9,000,000 as an one-off cash housing subsidy to its employees. Such amount has been accrued in the financial statements of the Group for the six months ended 30 June 2002. The one-off cash subsidy attributable to the period before the incorporation of the Company will be borne by the Parent Company.

The Parent Company would continue to provide housing benefits, including renting and purchases of staff quarters by employees at preferential rates, available to the Company's employees who were employees of the predecessor entities prior to the incorporation of the Company and the Company has no obligations to reimburse the Parent Company for any costs or losses incurred by the Parent Company relating to such housing benefits.

As at 30 June 2002, the Company did not own any staff quarter and the Company had not sold any staff quarters to its employees.