

As at 31 December 2001, the total assets of the Group were HK\$2,005,000 (30 June 2001: HK\$29,877,000), representing a decrease of 93.29% as compared with that as at 30 June 2001. As at 31 December 2001, there was no outstanding borrowings (30 June 2001: HK\$203,003,000) of the Group and the net current assets of the Group were HK\$1,627,000 (30 June 2001: net current liabilities of HK\$182,968,000), representing an increase of 100.89%, and the current ratio was 5.3 (current assets/current liabilities).

The management consider that there are sufficient financial resources for future development plans. The management believe that the Group will be able to acquire financing on favourable terms should there be any need for additional funding for other business opportunities in the future.

Capital Commitments and Contingent Liabilities

As at 31 December 2001, the Group has no material capital commitments and contingent liabilities.

Employment and Remuneration Policy

As at 31 December 2001, the Group had a total of 14 employees in Hong Kong. Staff costs for the period amounted to HK\$810,000. In order to maintain competitiveness, the salary and bonus of the staff are based on their individual performance. Apart from setting up a retirement benefits scheme for its staff, the Group has also provided them with various training and development programs.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2001, the interests of the directors and their associates in the issued share capital of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Name of director	Personal interest	Corporate interest
Mr. Zhang Yang	–	3,500,000,000 (Note 1)

Note:

1. The ordinary shares were held through Sourcebase, which is 100% owned by Mr. Zhang Yang.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

(a) Share Option

The Company has an executive share option scheme adopted on 23 December 1996 under which executive directors and employees of the Company or any of its subsidiaries may be granted options to subscribe for shares in the Company.

As at 31 December 2001, none of the Directors of the Company hold any of the share options which remained outstanding as at 31 December 2001.

(b) Warrants

The director had corporate interests in warrants to subscribe for shares in the Company. Details of exercise price and date of expiry of exercisable period were as follows:

Name of director	Exercise Price HK\$	Granted during the period	Outstanding Warrants at 31 December 2001	Date of expiry of exercisable period
Mr. Zhang Yang	0.01	16,500,000,000	16,500,000,000	10 December, 2004

No Warrants had been exercised during the period.

Save as disclosed above, no director or chief executive held an interest in the share capital of the Company or its associated corporation as defined in the Securities (Disclosure of Interests) Ordinance, and none of the directors or chief executive, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of a director, the Company has not been notified of any other interests representing 10% or more in the issued share capital of the Company as at 31 December 2001.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2001.

AUDIT COMMITTEE

The Audit Committee has reviewed, with management and external auditors, the accounting principles and policies adopted by the Group and the unaudited interim financial statements for the six months ended 31 December 2001.

CODE OF BEST PRACTICE

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 31 December 2001, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

By Order of the Board

Zhang Yang

Chairman

Hong Kong, 8 March 2002