

REPORT OF THE DIRECTORS

The Board of Directors present their report and the audited financial statements of the Group for the Year.

ACCOUNTS

1. The results of the Group are set out in the consolidated income statement on page 21 of this Annual Report.
2. The state of affairs of the Group and the Company as at 31 December 2002 are set out in the balance sheets on page 22 of this Annual Report.
3. The consolidated statement of changes in equity of the Group is set out in the consolidated statement of changes in equity on page 23 of this Annual Report.
4. The consolidated cash flow of the Group is set out in the consolidated cash flow statement on page 24 of this Annual Report.

FINANCIAL SUMMARY

The following is a summary of the results and of the assets and liabilities of the Group for the past five financial years ended 31 December 2002 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

	2002 RMB'000	2001 RMB'000	2000 RMB'000	1999 RMB'000 (As restated)	1998 RMB'000 (As restated)
Turnover	<u>376,341</u>	<u>585,443</u>	<u>524,511</u>	<u>336,851</u>	<u>484,070</u>
(Loss) Profit before taxation	<u>(114,322)</u>	106,578	(58,568)	(87,080)	30,302
Taxation	<u>(4,553)</u>	<u>(17,335)</u>	<u>(10,837)</u>	<u>(14,534)</u>	<u>(5,333)</u>
(Loss) Profit before minority interests	<u>(118,875)</u>	89,243	(69,405)	(101,614)	24,969
Minority interests	<u>5,170</u>	<u>(24,825)</u>	<u>(8,744)</u>	548	<u>(9,166)</u>
(Loss) Profit attributable to shareholders	<u>(113,705)</u>	<u>64,418</u>	<u>(78,149)</u>	<u>(101,066)</u>	<u>15,803</u>
Total assets	<u>1,121,938</u>	1,287,135	1,163,643	1,225,180	1,378,605
Total liabilities and minority interests	<u>(438,427)</u>	<u>(489,919)</u>	<u>(430,845)</u>	<u>(411,556)</u>	<u>(454,119)</u>
Net assets	<u>683,511</u>	<u>797,216</u>	<u>732,798</u>	<u>813,624</u>	<u>924,486</u>

PRINCIPAL ACTIVITIES

The principal activities of the Group are the manufacture and sale of various types of telecommunications cables (including different types of copper cables and optical fibre cables), optical fibres, cable joining sleeves, as well as equipment, manufacturing parts and materials for the production of cables.

The analysis of the Group's turnover and contribution to results from operations for the Year are analysed by its principal activities and geographical market as set out in note 4 to the financial statements on pages 28 to 30 of this Annual Report.

MAJOR SUPPLIERS AND CUSTOMERS

The analysis of the Group's single largest supplier and the top five largest suppliers, and the Group's single largest customer and the top five largest customers for the Year are as follows:

	2002 %	Percentage 2001 %
Purchases		
Single largest supplier	<u>20</u>	19
Five largest suppliers combined	<u>39</u>	<u>48</u>
Sales		
Single largest customer	<u>9</u>	13
Five largest customers combined	<u>29</u>	<u>31</u>

As far as the directors of the Company (the "Directors") are aware of, none of the Directors or supervisors of the Company (the "Supervisors") or their associates or any shareholders holding of 5% or more of the Company's share capital owned any direct or indirect interests in the share capital of the five largest suppliers or customers of the Group for the Year.

REPORT OF THE DIRECTORS (CONTINUED)

FINAL DIVIDEND

The Board of Directors does not recommend payment of final dividend for the Year.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2002 are set out in note 15 to the financial statements on pages 33 and 34 of this Annual Report.

RESERVES

Details of the changes in the reserves during the Year are set out in note 26 to the financial statements on pages 38 and 39 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT, AND CONSTRUCTION IN PROGRESS

Details of the changes in the property, plant and equipment, and construction in progress during the Year are set out in notes 13 and 14 respectively to the financial statements on pages 32 and 33 of this Annual Report.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 25 to the financial statements on page 38 of this Annual Report.

The Company did not make any bonus issue, share placings or issuing of shares during the Year, and there was no change in the share capital of the Company during the Year and from 31 December 2002 up to the date of this Annual Report.

USE OF PROCEEDS

The Company raised approximately HK\$424,000,000 through the issue of 160,000,000 H shares in December 1994. From the date of listing to 31 December 2002, as stated in the section headed "Use of Proceeds and Working Capital" in the Company's prospectus and "Plan for Change in the Use of Proceeds" passed at the annual general meeting of the Company (the "AGM") in the 1998 and 2001, respectively, the Company had used an aggregate amount of HK\$331,000,000, of which HK\$84,360,000 was used in investment projects, and HK\$246,640,000 was used for debt repayment and working capital.

The balance of the unutilised proceeds amounted to HK\$93,000,000, which is deposited with banks in the PRC in HK dollars, US dollars and RMB.

OVERDUE TIME DEPOSITS

The Group has no other deposit or trust deposit with non-bank financial institutions nor time deposits that cannot be recovered on maturity as at 31 December 2002.

Although the principal of a deposit of RMB30,000,000 in China Leasing Company Limited has been written off as provision for bad debt as approved at the 2000 AGM, we have not given up the effort to recover the amount. However, such amount has not been recovered during the Year.

UNIFIED INCOME TAX AND CANCELLATION OF LOCAL GOVERNMENT'S TAX REBATE

The Company is a high-tech enterprise registered in the Hi-Tech Development Zone in Chengdu, Sichuan Province. According to the approval of the State Tax Bureau, the Company enjoys and pays income tax at a preferential rate of 15% for hi-tech enterprise. Accordingly, the Company is not entitled to any income tax rebate. The Company is still enjoying such concession as at the date hereof.

The Company has not received any notice from the relevant tax authority in respect of change in the Company's 15% income tax rate as at the date hereof.

NUMBER OF SHAREHOLDERS

Details of the number of shareholders as recorded in the register of members of the Company as at 31 December 2002 are as follows :

Classification	Number of shareholders
State-owned legal person shares	1
Overseas listed foreign invested shares ("H Shares")	132
Total number of shareholders	<u>133</u>

REPORT OF THE DIRECTORS (CONTINUED)

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, the largest shareholder of the Company was China PUTIAN, holding 240,000,000 issued legal person shares, representing 60% of the total issued share capital of the Company. At the beginning of the Year, HKSCC Nominees Limited ("HKSCC") held 157,522,999 H shares, representing 39.38% of the total issued share capital. At the end of the Year, HKSCC held 157,766,998 H shares, representing 39.44% of the total issued share capital of the Company.

As shown in the register of substantial shareholders maintained under section 16(1) of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") of the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Company has been notified by shareholders holding 10% or more of the Company's issued H shares. These are interests other than those held by directors, supervisors and chief executive officers which have already been disclosed.

Save as disclosed above, as at 31 December 2002, the Company is not aware of any shareholding interests which are required to be disclosed pursuant to the SDI Ordinance. The Board is not aware of any person holding, directly or indirectly, 10% or more of the interests in the Company's issued H shares.

As indicated by HKSCC, as at 31 December 2002, the following Central Clearing and Settlement System ("CCASS") participants held 10% or more of the Company's total issued H shares:

CCASS participant	Number of H shares held at the end of the year	Percentage of H shares
The Hongkong & Shanghai Banking Corporation Ltd.	33,284,000	20.80
Guotai Junan Securities (HK) Limited	20,562,000	12.85

DIRECTORS, SUPERVISORS, JOINT COMPANY SECRETARIES AND SENIOR MANAGEMENT

The directors, supervisors, company secretaries and senior management who held office during the Year and up to the date of this report are as follows:

1. Directors

Mr. Xu Mingwen, aged 48, chairman of the Company, received postgraduate education, is a senior engineer and is currently vice president of China PUTIAN. He is also the chief legal adviser of China PUTIAN. Mr. Xu joined the Company in September 2000. Mr. Xu was previously the chief engineer of Guangzhou P & T Communications Equipment Factory and took up several positions including deputy chief engineer and deputy general manager of China National Posts and Telecommunications Industry Corporation. He previously studied a postgraduate course at Central Europe International Business College. He has extensive experience in corporate governance, technology development and project management. Mr. Xu was elected executive Director of the third Board of the Directors on 22 September 2000.

Mr. Kuo Aiching, aged 47, received tertiary education, is a senior engineer and is currently the deputy managing director and the general manager of the Company. Mr. Kuo joined the Company in April 1999. He was previously the assistant to factory manager and standing factory manager, factory manager of Houma Cable Plant of the Posts and Telecommunications Ministry and Director of the second Board of Directors, standing deputy managing director and general manager of the Company. He has extensive experience in design, production and corporate governance of telecommunication cables. Mr. Kuo was elected executive Director of the third Board of Directors on 22 September 2000.

Mr. Wang Zhongfu, aged 37, received postgraduate education, is a senior engineer. He is currently, the assistant to the president of China PUTIAN and the general manager of the International Co-operation Division of China PUTIAN. Mr. Wang joined the Company in October 1997 and was previously Deputy General Manager of the Technical Division and the Investment Management Division of China PUTIAN and a Director of the second Board of Directors of the Company. He has extensive experience in the management of listed companies and joint venture enterprises. Mr. Wang was elected executive Director of the third Board of the Directors on 22 September 2000.

Mr. Bao Yuhong, aged 31, received university education, is an economist. He is currently the deputy general manager of the Financial Division of China PUTIAN. Mr. Bao joined the Company in September 2000. He worked previously in the Operating Finance Division of China PUTIAN and has certain experience in corporate governance and operation of a holding company. Mr. Bao was elected executive Director of the third Board of Directors on 22 September 2000.

Mr. Zhang Zhongqi, aged 45, received tertiary education, is a senior accountant. He is currently deputy general manager of the Finance Division of China PUTIAN. Mr. Zhang joined the Company in September 2000 and worked previously in the Operating Finance Division of China PUTIAN as deputy general manager. He had been seconded to Beijing Ericsson Mobile Communication Co., Ltd. as manager of the Finance Division. He has extensive experience in finance management of state-owned enterprises and financial control and operations in joint venture enterprises. Mr. Zhang was elected executive Director of the third Board of Directors on 22 September 2000.

Mr. Su Jialing, aged 58, received university education is a senior engineer and is currently a researcher of the Company. Mr. Su joined Chengdu Cable Plant of the Ministry of Post and Telecommunications ("CCP") in 1970. He has extensive experience in technology application and renovation. He was previously deputy factory manager of CCP and executive director of the first Board of Directors and deputy general manager. Mr. Su was elected executive Director of the third Board of Directors on 22 September 2000.

REPORT OF THE DIRECTORS (CONTINUED)

Mr. Qin Yaowu, aged 36, received postgraduate education is a senior engineer and is currently the deputy general manager of the Company. Mr. Qin joined CCP in August 1988. He was previously the deputy-in-charge of the Optical Fibre Engineering Office and factory manager of the Optical Fibre Factory and director and deputy general manager of the second Board of Directors. He studied a master's postgraduate course in business management at the Management College of Xian Jiaotong University. He has extensive experience in the production operation and management of enterprises. Mr. Qin was elected executive Director of the third Board of Directors on 22 September 2000.

Ms. Chen Po Sum, aged 71, is currently a non-executive Director of the Company. She was a non-executive Director of the first and second Board of Directors and a member of audit committee of the Company since 30th September 1994. She was previously the first vice-chairman of the Stock Exchange and is a director of Hong Kong Securities Clearing Company Limited, non-executive director or director of a number of Hong Kong listed and private companies and a consultant of Sichuan Province Disabled Persons Federation. Ms. Chen was elected non-executive Director of the third Board of Directors on 22 September 2000.

Mr. Sun Jiayuan, aged 59, received postgraduate education. He is currently a non-executive Director of the Company and the vice chairman of the Chinese People's Political Consultative Conference in Chengdu city as well as the vice chairman and secretary of the Financial Leading Group in Chengdu city. Mr. Sun also held important offices such as officer of the Planning Committee and deputy mayor of Chengdu city. Mr. Sun was elected non-executive Director of the third Board of Directors on 22 September 2000.

Each of the executive Directors appointed on 22 September 2000 has entered into a service contract with the Company. The service period is three years commencing from 1 October 2000 until 30 September 2003.

The term of office of the above executive Directors and non-executive Directors is renewable upon re-election or re-appointment.

2. Supervisors

Mr. Zhang Xiaocheng, aged 45, received postgraduate education and is a senior economist. He is currently the chairman of the supervisory committee of the Company (the "Supervisory Committee") and the general manager of the Corporate Management Department of China PUTIAN. Mr. Zhang joined the Company in October 1997 and was a director of the second Board of Directors of the Company. He was the general manager of Corporate Management Department of China PUTIAN, deputy supervisor of the office. He has extensive experience in corporate governance. Mr. Zhang was elected Supervisor for the third Supervisory Committee on 22 September 2000.

Mr. An Minmin, aged 56, received secondary education and is a senior accountant. Mr. An joined CCP in 1968. He has extensive experience in finance management. He was previously the deputy chief accountant of CCP, a director of the first and second Board of Directors and the chief accountant. He was elected Supervisor for the third Supervisory Committee on 22 September 2000.

Ms. Hong Xiurong, aged 50, received tertiary education and is a senior engineer. She is the vice chairperson of the labour union of the Company. She joined CCP in 1970. Ms. Hong was previously the head of the Technology Division of CCP and has extensive experience in design, production and technology management of telecommunication cables. Ms. Hong was democratically elected Supervisor for the third Supervisory Committee through the Company's labour representative meeting.

Each of the Supervisors appointed on 22 September 2000 has entered into a service contract with the Company. The service period is three years commencing from 1 October 2000 until 30 September 2003 and is renewable upon re-election or re-appointment.

3. Joint Company Secretaries

Mr. Zhang Shumin, aged 60 is a senior engineer and a joint secretary of the Company. He joined CCP in 1967 and was the deputy factory manager of CCP. He was the secretary to the first and second Board of Directors. He has extensive experience in national policies and corporate governance.

Mr. Stephen Mok, aged 38 is a joint secretary of the Company and a partner of Simmons & Simmons in Hong Kong. He was appointed as secretary to the first and second Board of Directors.

4. Senior Management

Mr. Luo Shiwen, aged 58, senior economist, secretary of the Party Committee and deputy general manager of the Company. He joined the Company in 1968.

Mr. Fan Xianda, aged 50, engineer and deputy general manager of the Company. He joined the Company in 1971.

Mr. Dai Kang, aged 37, senior engineer and deputy general manager of the Company. He joined the Company in 1987.

Ms. Huang Zhili, aged 48, accountant, financial officer and deputy chief accountant of the Company. She joined the Company in 1971.

5. Number of Staff

As at 31 December 2002, the Group had approximately 1,995 staff members.

REPORT OF THE DIRECTORS (CONTINUED)

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

There were no contracts of significance in relation to the Company's business (to which the Company or any of its subsidiaries was a party), and in which any Director or Supervisor had material interests, whether directly or indirectly, subsisting at the end of the Year and at any time during the Year.

INTERESTS OF DIRECTORS AND SUPERVISORS IN SECURITIES

As at 31 December 2002, none of the Directors, Supervisors or their respective associates had any interests in any securities of the Company or any of its associated corporations which were required to notify the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance, including interests which were deemed or taken to have under section 31 or Part I of the schedule to the SDI Ordinance, or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which were required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

PURCHASE AND SALE OF SECURITIES BY DIRECTORS AND SUPERVISORS

At no time during the Year was the Company or any of its subsidiaries a party to any arrangement which enables the Directors and Supervisors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other legal entities.

EMOLUMENTS OF DIRECTORS

Details of emoluments of Directors are set out in note 7 to the financial statements on pages 30 and 31 of this Annual Report.

FIVE HIGHEST PAID PERSONNEL

The five individuals whose remuneration were the highest in the Group during the Year do not include any Directors.

SALE OF STAFF QUARTERS

1. Deferred expenses on staff quarters prior to 1998 have been dealt with in the financial report for the year 2000 of the Group.
2. The Group introduced another approved programme for raising funds from its employees to construct staff quarters during the Year. As at 31 December 2002, the total amount of deposits received from the staff in respect of such programme amounted to RMB15,123,000 (2001: RMB24,977,000). Upon completion of the fund-raising programme, the Group will transfer all the titles of the staff quarters to its staff.

EMPLOYEES' BASIC MEDICAL INSURANCE

Pursuant to the provisions of the Provisional Regulation of Employees' Basic Medical Insurance for the Municipality of Chengdu (the "Regulation") and the approval of the fourteenth meeting of the Board of Directors, the Company joined the employees' basic medical insurance for the municipality of Chengdu from October 2002. In addition, an internal supplementary medical insurance has also been set up in accordance with the provisions of the Labour and Social Security Bureau of the PRC.

After the implementation of the Regulation, the Company paid 7.5% and 4% of the total amount of salaries to the social security authority as payment for basic medical insurance and to the internal supplementary medical insurance, respectively. Apart from that, the Company has no other obligation to pay for any other medical expenses. The Company estimated that the fees payable for arranging payments for basic medical insurance and employees' internal supplementary medical insurance for one year would be less than the Company's medical payments to its employees in the previous years and would decrease the Company's administrative costs. Accordingly, the implementation of the employees' basic medical insurance and the internal supplementary medical insurance policies would not have any adverse effect on the Company's consolidated income statement and consolidated balance sheet.

PURCHASE, SALE AND REPURCHASE OF LISTED SECURITIES

During the Year, none of the Company's listed securities was purchased, sold, repurchased or cancelled by the Company or any of its subsidiaries.

BANK BORROWINGS

Details of bank borrowings of the Group and the Company are set out in note 24 to the financial statements on page 37 of this Annual Report.

REPORT OF THE DIRECTORS (CONTINUED)

PRE-EMPTIVE RIGHTS

Under the articles of association of the Company (the “Articles”), there are no pre-emptive rights which require the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

CONNECTED TRANSACTIONS

During the Year, the Group entered into the following transactions with related parties:

- (a) Guarantee granted by China PUTIAN and its related companies
A certain sum of the Group’s borrowings are guaranteed by China PUTIAN and its related companies.
- (b) Transactions with China PUTIAN and other entities controlled and/ or monitored by China PUTIAN
The products which the Group sold to China PUTIAN and its related companies amounted to RMB3,387,000 for the Year (2001: RMB6,017,000).
- (c) Guarantee granted by the Company to its non-wholly owned subsidiaries
The Company provided guarantees to SEI and Chengdu MCIL Radio Communication Cable Co., Ltd. of RMB60,000,000 and RMB6,000,000, respectively, in 2002 as approved at the 2001 AGM and by the Board of Directors at the Board of Directors meeting on 20 June 2002 in respect of loans.

All the Directors, including the non-executive Directors, acknowledged that transactions mentioned in (b) and (c) above have been entered into by the Group in the ordinary and usual course of business on commercial terms and conditions no less favourable than those available to third parties.

RETIREMENT SCHEME ARRANGEMENTS

Information on the Company’s retirement benefits scheme is set out in notes 6 and 28 to the financial statements on pages 30 and 40 of this Annual Report respectively.

SIGNIFICANT EVENTS

1. Change of the Company’s English name and amendment of the Articles

Upon approval by shareholders at the 2001 AGM held on 20 June 2002, the Company’s English name was changed to “Chengdu PUTIAN Telecommunications Cable Company Limited”. The Company’s Chinese name remain unchanged.

To reflect the name change, article 2 of the Articles was changed to “Article 2: Registered Name of Company: Chinese: 成都普天電纜股份有限公司, English: Chengdu PUTIAN Telecommunications Cable Company Limited”. The amended Articles were approved and confirmed by the State Economic and Trade Commission of the PRC on 10 July 2002.

2. Use of proceeds

The proposed use of RMB85,500,000, of which RMB60,600,000 was used for CCS and RMB24,900,000 for SEI, respectively, from the Proceeds to enlarge the production capacity in optical fibres and optical cables so as to implement the production expansion plans of CCS and SEI, has been approved at the 2001 AGM.

3. Arrangement for liability insurance

To encourage the directors, supervisors and senior management of the Company to carry out their duties, protect the interest of the Company and of the shareholders, improve corporate governance, enhance the Company’s ability in dealing with risks and improve the image of the Company and the trust of the public in the Company, after consideration and approval at the eleventh meeting of the third Board of Directors and at the 2001 AGM, the Company will arrange for liability insurance for the directors, supervisors and senior management.

4. Disposal of the equity interests in Bada Company

Established on 17 December 1991 and restructured in August 1993, Bada Company was jointly established by Chengdu Cable Telecommunications Equipment Plant (the “Plant”), the Company and Mr. Zhang Qingzheng, president of Hong Kong Tianlishi Company Limited (“Mr. Zhang”). It is a sino-foreign joint venture mainly engaged in the manufacturing and sale of power supply connectors for electrical appliances. The registered capital of Bada Company is RMB3,000,000, of which the Plant, the Company and Mr. Zhang contributed RMB1,200,000, RMB900,000 and RMB900,000, respectively, representing 40%, 30% and 30% of the equity interest, respectively.

In January 2002, the Company acquired all of the 30% equity interest in Bada Company for a consideration of RMB800,000 from Mr. Zhang. After the acquisition, the Company and the Plant held 60% and 40% interests in Bada Company, respectively.

REPORT OF THE DIRECTORS (CONTINUED)

American AFC International Technology Company ("AFC"), a company registered in the United States of America, also entered into a mutual share transfer agreement with the Company and the Plant in connection with shares in Bada Company. The proposal approved by the Board of Directors and it was resolved that the entire 40% equity interests in Bada Company held by the Plant will be acquired by AFC. In addition, 11% equity interests in Bada Company held by the Company will be acquired by AFC for a consideration of RMB295,000, representing the price for the acquisition of the equity interests by the Company from Mr. Zhang. Upon completion of the acquisition, the Company and AFC each held 49% and 51% equity interests, respectively, in Bada Company.

5. Acquisition of equity interests in Gaoxin

Gaoxin was a limited liability company jointly established by the Company, the Plant and Sichuan Ducheng Economic and Trade Comprehensive Development Holding Company ("DETC") in March 1998, which mainly engaged in the manufacturing and sale of cables and wires, specialised cables and other telecommunications products. The registered capital is RMB8,110,000, of which the Company, the Plant and DETC holds 33.1%, 31.2% and 35.7%, respectively.

During the Year, the Plant proposed the transfer of its entire 31.2% equity interests in Gaoxin. After several negotiations and approval by the Board of Directors, it was resolved that the entire 31.2% equity interests in Gaoxin will be acquired by the Company for a consideration of RMB2,274,000. Upon completion of the acquisition, the Company and DETC holds 64.3% and 35.7% of the equity interests in Gaoxin, respectively.

6. Land use right

To satisfy the need for construction and development in Chengdu city, during the Year, the Management Committee of Chengdu High-tech Enterprise Development District resumed the land use for 9 mu of the land where the headquarters of the Company is located and agreed to pay compensation of RMB2,700,000 to the Company, of which RMB2,700,000 had been received.

7. CCS's and SEI's increase in share capital

During the Year, the proposal for production expansion and increase of share capital in CCS was approved by the Board of Directors and was approved by the Ministry of Foreign Trade and Economic Co-operation of the PRC. The registered capital of CCS increased from RMB184,635,000 to RMB305,836,000. After the increase in registered capital, the percentage of the investment in CCS by the Company and American CCS Company will remain unchanged and each of the parties will continue to hold 50% equity interest in CCS.

The proposal for production expansion and increase of share capital in SEI was also approved by the Management Committee of Chengdu High-tech Enterprise Development District and the Board of Directors in the Year. The registered capital of SEI increased from US\$8,200,000 to US\$10,250,000. After the increase of registered capital, the percentage of equity interests held by the Company and Sumitomo Electric Industries, Ltd in SEI had been adjusted to 60% and 40%, respectively.

8. Shenzhen Puda Communication Technology Company Limited ("Shenzhen Puda Company")

The Company's proposed establishment of Shenzhen Puda Company jointly with Bada Company in Shenzhen was terminated due to change of government policy.

9. Change of Facsimile Number

The facsimile number of the office of the Board of Directors will be changed from 86 28 85129477 to 86 28 85162500 at 17:30 on 19 April 2003.

MATERIAL LITIGATION

Save as those disclosed in this Annual Report, the Group was not involved in any material litigation or arbitration during the Year.

CODE OF BEST PRACTICE

The Directors have complied with the Code of Best Practice as set out in appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the Year.

JOINT INTERNATIONAL AUDITORS

The financial statements of the Group prepared in accordance with generally accepted accounting principles in Hong Kong have been audited by Deloitte Touche Tohmatsu and Ho and Ho & Company, the joint international auditors of the Company.

Deloitte Touche Tohmatsu and Ho and Ho & Company, as the joint international auditors of the Company, will retire and offer themselves for re-appointment.



By Order of the Board of Directors
Xu Mingwen
Chairman

17 April 2003