

EMPLOYEES' BASIC MEDICAL INSURANCE AND COMMERCIAL MEDICAL INSURANCE

With effect from 1 January 2003, the Company and its subsidiaries have complied with the regulation of Beijing Municipal Government for basic medical insurance. According to the regulation, the Group shall pay the basic medical insurance and mutual insurance for large sum medical expenses for its employees, at 9% and 1%, respectively, of the average monthly salary of its employees in the previous years. For the first half of 2003, the Company has paid such expenses in the amount of Rmb5,533,574. In addition, the Company and its subsidiaries have provided supplemental medical insurance benefits to its employees on a voluntary basis at 4% of the average monthly salary of its employees in the previous year. At the same time, the Group has ceased paying the cash medical subsidies or medical compensations to its employees. Therefore, the implementation of the above mentioned basic medical insurance does not have any substantial effect on the balance sheet and the income statement of the Group.

As at 30 June 2003, the Group did not own any staff quarters and the Group had not sold any staff quarters to its employees.

There were no substantial changes in other policies on staff welfare.