



SEEC Media Group Limited

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2003

The board of directors (the "Board") of SEEC Media Group Limited (Formerly known as Sino InfoTech Holdings Limited) (the "Company") is pleased to present the interim report of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2003 as follows:

Condensed Consolidated Income Statement

For the six months ended 30 June 2003

		(Unaudited)	
		Six months ended 30 June	
		2003	2002
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	68,541	27,889
Cost of sales		(35,600)	(23,574)
Gross profit		32,941	4,315
Other operating income		2,099	2,280
Selling and distribution costs		(9,608)	(1,934)
Administrative expenses		(10,863)	(10,912)
Other operating expenses		(2,153)	(1,411)
Profit/(loss) from operating activities	5	12,416	(7,662)
Finance costs	6	-	(93)
Profit/(loss) before tax		12,416	(7,755)
Tax	7	(2,083)	-
Profit/(loss) before minority interests		10,333	(7,755)
Minority interests		(3,309)	-
Net profit/(loss) from ordinary activities attributable to shareholders		7,024	(7,755)
Earnings/(loss) per share (<i>HK cents</i>)	8		
Basic		0.50	(0.77)
Diluted		0.50	(0.77)

Condensed Consolidated Balance Sheet

As at 30 June 2003

		(Unaudited) As at 30 June 2003 HK\$'000	(Audited) As at 31 December 2002 HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		11,561	36,694
Intangible assets		31,022	32,026
Goodwill		36,244	37,505
Investment in securities		–	40,000
		78,827	146,225
CURRENT ASSETS			
Short term investments		2,116	1,970
Inventories		–	6,085
Trade and bills receivables	9	17,333	17,987
Other receivables and prepayments		25,094	1,632
Due from related companies		7,053	264
Pledged deposits		–	2,000
Bank balances and cash		77,356	45,915
		128,952	75,853
CURRENT LIABILITIES			
Trade and bills payables	10	459	9,315
Tax payable		5,323	3,651
Other payables and accruals		4,993	18,687
Deposits received		–	18,419
Convertible notes		7,960	10,560
Trust receipt loans, secured		–	85
Due to related companies		20,601	5,546
		39,336	66,263

		(Unaudited)	(Audited)
		As at	As at
		30 June	31 December
		2003	2002
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
NET CURRENT ASSETS		89,616	9,590
TOTAL ASSETS LESS CURRENT LIABILITIES		168,443	155,815
MINORITY INTERESTS		18,733	15,724
		149,710	140,091
CAPITAL AND RESERVES			
Issued capital	11	139,997	138,697
Reserves		9,713	1,394
		149,710	140,091

Condensed Consolidated Statement of Changes in Equity*For the six months ended 30 June 2003*

	Share capital	Share premium	Capital reserves	Reserve funds	Exchange translation reserve	Accumulated losses	Total
	HK'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2002	100,453	298,011	21,977	-	477	(342,450)	78,468
Net loss for the period	-	-	-	-	-	(7,755)	(7,755)
At 30 June 2002	100,453	298,011	21,977	-	477	(350,205)	70,713
Issue of shares	38,244	22,078	-	-	-	-	60,322
Net profit for the period	-	-	-	-	-	9,072	9,072
Exchange loss on translation of overseas operations not recognized in the income statement	-	-	-	-	(16)	-	(16)
Transfer to reserve funds	-	-	-	52	-	(52)	-
At 31 December 2002	138,697	320,089	21,977	52	461	(341,185)	140,091
Issue of shares	1,300	1,300	-	-	-	-	2,600
Reserves realized upon disposals of an associate	-	-	(21,977)	-	(476)	22,453	-
Exchange loss on translation of overseas operations not recognized in the income statement	-	-	-	-	(5)	-	(5)
Net profit for the period	-	-	-	-	-	7,024	7,024
At 30 June 2003	139,997	321,389	-	52	(20)	(311,708)	149,710

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2003

	(Unaudited)	
	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(8,560)	(1,021)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	40,090	(356)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(85)	2,224
NET INCREASE IN CASH AND CASH EQUIVALENTS	31,445	847
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	45,915	10,626
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(4)	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	77,356	11,473
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	77,356	11,473

Notes to Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 (Revised) "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA") and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The accounting policies adopted in these condensed consolidated financial statements are consistent with those set out in the Group's financial statements for the year ended 31 December 2002, except as described below:

In the current period, the Company has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognized in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. The adoption of SSAP12 (Revised) has not had any material effect on the results for the current or prior accounting periods.

Taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)**Taxation** (Continued)

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2. TURNOVER

Turnover represents the net invoiced value of goods sold or services rendered, after allowances for returns and trade discounts.

Revenue from the following activities has been included in turnover:

	(Unaudited)	
	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Design, manufacture and marketing of electronic consumer products (discontinued operations)	45,889	27,889
Provision of advertising agency services	22,652	–
	68,541	27,889

3. SEGMENT INFORMATION

The Group is currently engaged in provision of advertising agency services.

In prior periods, the Group was also involved in design, manufacture and marketing of electronic consumer products operations, which was discontinued from 30 June 2003 (see note 4).

Segment information about these businesses is presented below.

(a) Business segments

The following table presents revenue and profit/(loss) information of the Group's business segments.

Group	(Unaudited)					
	Six months ended 30 June					
	Design, manufacture and marketing of electronic consumer products (Discontinued operation)		Provision of advertising agency services		Consolidated	
	2003	2002	2003	2002	2003	2002
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:						
Sales to external customers	45,889	27,889	22,652	-	68,541	27,889
Segment results	4,611	4,315	10,291	-	14,902	4,315
Unallocated revenue					2,099	2,280
Unallocated expenses					(4,585)	(14,257)
Profit/(loss) from operating activities					12,416	(7,662)
Finance costs					-	(93)
Profit/(loss) before tax					12,416	(7,755)
Tax					(2,083)	-
Profit/(loss) before minority interests					10,333	(7,755)
Minority interests					(3,309)	-
Net profit/(loss) from ordinary activities attributable to shareholders					7,024	(7,755)

3. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following table presents revenue information for the Group's geographical segments.

Group	(Unaudited)									
	Six months ended 30 June									
	Hong Kong and Far East		Mainland China		North America		Europe		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:										
Sales to external customers	521	1,271	22,740	909	37,777	8,488	7,503	17,221	68,541	27,889

4. DISCONTINUED OPERATIONS

During the period, the Group entered into an agreement to dispose of Prod-Art Company Limited and its subsidiaries (the "Prod-Art Group"), which carried out all of the Group's design, manufacture and marketing of electronic consumer products operations. The disposal has completed on 30 June 2003, on which date control of Prod-Art Group passed to the acquirer.

The turnover, other operating income, expenses and results of the discontinued operations were as follows:

	(Unaudited)	
	Six months ended 30 June 2003	2002
	HK\$'000	HK\$'000
Turnover	45,889	27,889
Cost of sales	(32,098)	(23,574)
Gross profit	13,791	4,315
Other operating income	618	1,827
Selling and distribution expenses	(2,117)	(1,934)
Administrative expenses	(7,090)	(8,270)
Other operating income/(expenses)	27	(1,283)
Profit/(loss) from operating activities	5,229	(5,345)
Finance costs	-	(93)
Net profit/(loss) from ordinary activities attributable to shareholders	5,229	(5,438)

4. DISCONTINUED OPERATIONS (Continued)

The net assets of Prod-Art Group at the date of disposal were as follows:

	30 June 2003
	<i>HK\$'000</i>
Net assets disposed of	20,820
Loss on disposal	1,820
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Total consideration, satisfied by cash consideration	19,000
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Net cash inflow (outflow) arising on disposal:	
Cash consideration	19,000
Bank balances and cash disposed of	(3,630)
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	15,370

Prod-Art Group did not make any significant contribution to the results or cash flows of the Group during the six months ended 30 June 2003.

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	(Unaudited)	
	Six months ended 30 June	
	2003	2002
	HK\$'000	<i>HK\$'000</i>
Depreciation	2,100	1,619
Bad debt expenses	–	36
Loss on disposal of subsidiaries	1,820	–
Gain on disposal of an associate	(755)	–
Provision for trade receivables written back	(4)	(411)
Unrealized holding gain on short term investments	(146)	(389)
Amortization of goodwill	1,261	–
Amortization of intangible asset	1,004	–
Interest income	(1,338)	(93)

* The amortization of goodwill and intangible assets for the period are included in "Other operating expenses" and "Cost of sales" on the face of the consolidated income statement, respectively.

6. FINANCE COSTS

	(Unaudited)	
	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Interest on bank loans and other loans wholly repayable within five years	-	93
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7. TAX

	(Unaudited)	
	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Company and subsidiaries	2,083	-
Share of tax of associates	-	-
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Tax charge for the period	2,083	-
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No provision for Hong Kong profits tax has been made for the current period (2002: Nil) because the Group did not have any assessable profits arising in Hong Kong.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The charge for the period can be reconciled to the profit/(loss) before taxation per the consolidated income statement as follows:

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Profit/(loss) before tax	12,416	(7,755)
Tax at PRC income tax rate of 15%	1,862	(1,163)
Tax effect of tax losses for which deferred tax assets have not been recognised	-	1,163
Tax effect of expenses that are not deductible in determining taxable profit	221	-
	<hr/>	<hr/>
Tax for the period	2,083	-
	<hr/>	<hr/>

8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	For the Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Earnings/(Loss)		
Earnings/(loss) for the purposes of basic and diluted		
Earnings/(loss) per share	7,024	(7,755)
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Number of shares		
Weighted average number of ordinary shares for the		
purpose of basic earnings/(loss) per share	1,392,444,227	1,004,827,778
Effect of dilutive share options	1,015,664	-
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Weighted average number of ordinary shares for the		
purpose of diluted earnings/(loss) per share	1,393,459,891	1,004,827,778
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The computation of diluted earnings per share does not assume the exercise of the Company's outstanding convertible notes as the exercise price of these convertible notes is higher than the average market price for shares for the six months ended 30 June 2003.

For the six months ended 30 June 2002, the computation of diluted loss per share did not assume the exercise of the potential ordinary shares since their exercise would result in a reduction in loss per share.

9. TRADE AND BILLS RECEIVABLES

The ageing analysis of the Group's trade and bills receivables is as follows:

	(Unaudited)		(Audited)	
	As at		As at	
	30 June		31 December	
	2003		2002	
	HK\$'000	Percentage	HK\$'000	Percentage
Within three months	10,745	56	14,449	62
Within four to six months	3,607	19	2,915	12
Within seven months to one year	2,535	13	1,815	8
Over one year	2,181	12	4,069	18
	19,068	100	23,248	100
<i>Less: Provision</i>	(1,735)		(5,261)	
Total after provision	17,333		17,987	

The average credit period granted by the Group is within three months from the date of recognition of the sale.

10. TRADE AND BILLS PAYABLES

The ageing analysis of the Group's trade and bills payables is as follows:

	(Unaudited)		(Audited)	
	As at		As at	
	30 June		31 December	
	2003		2002	
	HK\$'000	Percentage	HK\$'000	Percentage
Within two months	459	100	4,073	44
Within two to four months	-	-	2,573	28
Within four months to one year	-	-	2,047	22
Over one year	-	-	622	6
	459	100	9,315	100

11. ISSUED CAPITAL

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2003	2002
	HK'000	HK'000
<i>Authorised:</i>		
3,000,000,000 ordinary shares of HK\$0.10 each	300,000	300,000
<i>Issued and fully paid:</i>		
1,399,974,614 ordinary shares of HK\$0.10 each	139,997	138,697

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During the six months ended 30 June 2003, the principal amount of convertible notes of HK\$2,600,000 were converted into 13,000,000 new ordinary shares of HK\$0.10 each at a conversion price of HK\$0.20 per share.

11. ISSUED CAPITAL (Continued)**Share options**

Details of the share options granted during the period and the movements in the number of share options outstanding under the share option scheme of the Company adopted on 3 December 1992 (the "1992 Scheme") were as follows:

Grantee	Date of grant	Exercise price HK\$	Exercisable period	Number of share options				Balance in issue at 30 June 2003
				Balance in issue at 1 January 2003	Granted during the period	Exercised during the period	Cancelled during the period	
Employees								
in aggregate	31 August 1999	0.225	31 August 2000 to 30 August 2004	4,400,000	-	-	(4,400,000)	-
	9 May 2000	0.316	15 May 2001 to 8 May 2005	800,000	-	-	(800,000)	-
	22 January 2001	0.128	29 January 2002 to 21 January 2006	2,884,000	-	-	(2,884,000)	-
				8,084,000	-	-	(8,084,000)	-

The 1992 scheme was terminated on 26 August 2002. As at 30 June 2003, there was no outstanding options existing under the 1992 scheme. On 26 August 2002, a new share option scheme ("the 2002 scheme") was adopted. During the six months ended 30 June 2003, the Company has not granted any options under the 2002 scheme.

12. POST BALANCE SHEET EVENT

On 23 July 2003, the Company repaid the outstanding aggregate principal amount of HK\$6,960,000 of one-year zero coupon convertible notes which carried rights to be converted into shares of the Company at a conversion price of HK\$0.20 per share.

Business Review and Prospects

The first half of year 2003 continued to record business growth since its turnaround for the year ended 31 December 2002.

Despite the SARS outbreak in the People's Republic of China (the "PRC") during the period under review, the Group managed to further improve its operating efficiency and profitability. During the period under review, turnover of the Group was HK\$68,541,000, an increase of approximately 145.76% as compared to that of the corresponding period in 2002. Approximately 66.95% and 33.05% of the total turnover were derived from (1) the design, manufacture and marketing of electronic consumer products (discontinued operation) and (2) the provision of advertising agency services respectively.

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Total gross profit surged to HK\$32,941,000, representing an increase of 663.41% from the corresponding period of last year. Net profit attributable to shareholders was HK\$7,024,000, demonstrating a significant turnaround from the net loss of HK\$7,755,000 for the corresponding period of last year.

Interim Dividend

To retain capital for future business development, the Board does not recommend the payment of any interim dividend for the six months ended 30 June 2003 (2002: Nil).

Electronic Consumer Products Business

Before the acquisition of the Caixun Group, the Group was principally engaged in the design, manufacture and marketing of electronic consumer products. In view of the fierce competition in the electronic consumer products market, the Company entered into an agreement to dispose its electronic consumer products business at a consideration of HK\$19,000,000 in March 2003. The transaction was completed on 30 June 2003 and the Group ceased its electronic consumer products business thereafter.

During the period under review, the turnover generated from the Group's electronic consumer products business increased by 64.54% from approximately HK\$27,889,000 in the first half of 2002 to approximately HK\$45,889,000. This was mainly due to the increase in the demand for the Group's electronic consumer products from the North America market during the period. The Group also further tightened its cost control measures for the operation and improved its margin. As a result, the electronic consumer products division made a contribution of approximately HK\$4,611,000 during the year. The disposal resulted in a loss of approximately HK\$1,820,000 to the Group. The disposal, however, enhanced the liquidity and resources available to the Group for further development in its printed media advertising business.

Print Media Business

The Group acquired Caixun Group in November 2002 and positioned itself as an advertising operator in the PRC. At present, the Group owns the exclusive rights of a number of prominent financial print media including Caijing Magazine, Securities Market Weekly (The Integrated Version and The Market Version), Business Post and New Real Estate.

During the period under review, the advertising agency service was only slightly affected by the outbreak of SARS and achieved a turnover of approximately HK\$22,652,000 and contributed approximately HK\$10,291,000 towards the results of the Group. With its strong media portfolio and marketing team, the Group was able to provide advertising consultancy and advertising strategy planning services for its advertising clients, which consist of well-known domestic and multinational companies. In June, the Group hosted the "Caijing Golf Competition" for its clients in China. This event not only provided an additional effective marketing channel for the clients but also further raised the brand awareness of SEEC Media.

Prospects

Looking ahead, the Group will continue to leverage its management expertise and exclusive advertising rights to sustain its leading position in the Chinese print media advertising industry.

The Company will help enhance the brand awareness of the publications under the Group's advertising contracts through aggressive marketing and promotional activities. The Group will also help expand these publications into the Hong Kong market so as to maximize their advertising value in the Asian region.

With the management's acumen and extensive experience in the finance industry and strong network in the Mainland China, the Group is well poised to capitalize on the increasing demand of the advertising business and will strive to obtain more exclusive advertising rights and to explore cooperation opportunities with other publication business in China.

The Group will also seek business and investment opportunities with international brand names in the publications industry to explore the market in China.

As the Iraq war ended and the uncertainties brought by SARS outbreak in China subsided, the continuous rapid growth of the PRC economy will provide a favourable operating environment for our print media advertising business. The Board is confident that the advertising business possesses immense growth potentials and the prospect for the Group's advertising business for the years to come will be very promising.

Liquidity and Financial Resources

The Group's daily operation activities were financed by internal resources. The Group did not pledge any of its assets as at 30 June 2003.

During the period under review, certain zero coupon convertible notes issued by the Company with an aggregated principal amount of HK\$2,600,000 were converted into ordinary shares of the Company.

The Group's equity as at 30 June 2003 was approximately HK\$149.7 million as compared to approximately HK\$140 million as at 31 December 2002. The Group had no long-term debt as at 30 June 2003 and 31 December 2002. The gearing ratio, which was computed by current liabilities over shareholders' fund, was reduced to 26.3% as compared to 47.3% as at 31 December 2002.

Foreign Currencies and Treasury Policy

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars and Renminbi. During the period, the Group did not have any fixed interest rate borrowings and did not engaged in any financial instruments for hedging or speculative activities.

Contingent Liabilities

As at 30 June 2003, the Group did not have any significant contingent liabilities.

Employees

As at 30 June 2003, the Group had approximately 65 employees in Hong Kong and the PRC. Salaries, bonus and benefits were decided in accordance with the market condition and performance of the respective employees.

Directors' Interests in Shares, underlying shares and convertible notes

As at 30 June 2003, the interests of the directors and chief executive and their associates of the Company in the shares, underlying shares and convertible notes of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies were as follows:

Long position in shares of the Company

Name of director	Number of shares held and nature of interest		Total	Percentage of interests
	Personal	Family		
XU Xiaolu	3,300,000	3,250,000	6,550,000	4.68%

Save as disclosed above, as at 30 June 2003, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

Substantial Shareholders

As at 30 June 2003, according to the register of interests in shares and short position of the Company required to be kept under Section 336(1) of Part XV of the Securities and Futures Ordinance, the following shareholders are interested in 5% or more of the issued share capital of the Company:

Long position in shares of the Company

Name	Number of shares held	Percentage of interest
United Home Limited	677,843,824	48.42%
Carlet Investments Ltd.	172,644,210	12.33%

The 172,644,210 shares of the Company were owned by Carlet Investments Ltd. ("Carlet"), which shares were indirectly owned by United Home by virtue of its 100% interest in Carlet. In addition to the 172,644,210 shares directly owned by Carlet, 505,199,614 shares which represents 36.09% of the Company's shares in issue were directly owned by United Home.

Save as disclosed above, the directors of the Company are not aware of any other person who, as at 30 June 2003, was, directly or indirectly, beneficially interested in 5% or more of the issued share capital of the Company.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

Audit Committee

The Company established an audit committee in 1998 in accordance with paragraph 14 of the Code of Best Practice. The audit committee comprises two independent non-executive directors, FU Fengxiang and WANG Xiangfei. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited consolidated interim financial statements for the six months ended 30 June 2003.

Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, throughout the six months ended 30 June 2003, except that independent non-executive directors are not appointed for specific terms of office but are subject to retirement by rotation in accordance with the articles of association of the Company.

By Order of the Board

WANG Boming

Chairman

Hong Kong, 25 September 2003