

Management Discussion and Analysis

MAJOR EVENTS

On 19 December 2002, the Board proposed a rights issue of shares in the proportion of three rights shares for every two existing shares at HK\$0.02 each. Sinolink, through its wholly owned subsidiary, acted as the underwriter of the rights issue. The total number of rights shares allotted was 5,448,368,349 shares, and the Company raised approximately HK\$106 million from the rights issue. The rights issue was completed on 6 March 2003.

Upon completion of the rights issue, the beneficial shareholding of Sinolink in the issued share capital of the Company was increased from 29.99% to 40.44%.

In addition, after completion of the rights issue, the Company carried out a capital reduction by consolidating every forty issued and unissued shares of the Company of HK\$0.01 each into one consolidated share of HK\$0.40 each, and by reducing the nominal value of each consolidated share from HK\$0.40 to HK\$0.01. The capital reduction was completed and be effective on 22 April 2003.

The credit arising from the capital reduction of approximately HK\$88.5 million was transferred to the contributed surplus account of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2003.

AUDIT COMMITTEE

The Group has established an audit committee comprising Messrs. Xin Luo Lin and Lu Zhi Fang, both being independent non-executive directors of the Company.

The audit committee has reviewed the unaudited interim report for the period, and discussed with management the accounting principles and practices and internal controls of the Group.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not at any time during the period, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the non-executive directors are not appointed for specific terms, but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Company's bye-laws.

By Order of the Board
Sun Qiang Chang
Chairman