

## BUSINESS OUTLOOK

Despite the partial recovery of the economy of Hong Kong after SARS, the directors continue to be cautious about the outlook of the property market in Hong Kong. This does not bode well for the construction and renovation industries in Hong Kong, which have been suffering from low profit margins and the doubtful collectability of accounts receivables. Our gradual shift to taking up more construction contracts in Guangdong Province in the PRC was rewarded. We will continue to focus more of our efforts in that region.

深圳安網達網絡技術有限公司 (“安網達”) continued to pursue its strategy of forming strategic alliances with large computer and internet companies in the PRC in order to tap into their customer bases. This strategy would enhance the value of the patents owned by 安網達 and will significantly improve its turnover and profitability. Intwell will continue to diversify its business into the PRC which offers more promising opportunities.

We will continue to look for other business opportunities both in Hong Kong and the PRC for investments, which will generate positive cashflow and profits for the Group.

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2003 (2002: nil).

## DIRECTOR'S INTERESTS IN THE EQUITY OR DEBT SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30 June 2003, the interests and short positions of the Directors of the Company in the equity or debt securities of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### Company

<b>Name of director</b>	<b>Type of interests</b>	<b>Number of shares held</b>
Mr. Tam Jin Rong	Corporate ( <i>Note</i> )	215,000,000

*Note:* These shares were held through Euro Concord Assets Limited (“Euro Concord”) in which Mr. Tam Jin Rong is the sole director and sole shareholder.

Save as disclosed above, none of the other directors of the Company had or were deemed under the SFO to have any interest or short position in the equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2003.

At no time during the period was the Company, its subsidiaries or its fellow subsidiaries a party to any arrangements to enable the Company’s directors or members of its management to acquire benefits by means of the acquisition of shares in or debt securities (including debentures) of, the Company or any other body corporates.

### **SUBSTANTIAL SHAREHOLDERS’ INTERESTS IN THE COMPANY**

As at 30 June 2003, so far as are known to the directors, the following parties were recorded in the register kept by the Company under Section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

<b>Name of shareholders</b>	<b>Number of shares held</b>	<b>As a percentage of the issued share capital of the Company</b>
Best Fortune Capital Ltd. (“Best Fortune”) ( <i>Note 1</i> )	253,769,585	12.38%
China Convergent Corporation Limited (“China Convergent”) ( <i>Note 2</i> )	241,169,585	11.77%
Gold Chief Investment Ltd. (“Gold Chief”) ( <i>Note 2</i> )	241,169,585	11.77%
Euro Concord	215,000,000	10.49%

*Note 1:* Best Fortune holding 49.96% interest is the controlling shareholder of China Convergent. The interests of Best Fortune in the Company are held through China Convergent and Gold Chief. In addition, Best Fortune also holds in its own name 0.61% interest of the Company.

*Note 2:* By virtue of the SFO, China Convergent holding 100% interest in Gold Chief is deemed to be interested in the 241,169,585 shares held by Gold Chief.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the six months ended 30 June 2003. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30 June 2003.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES**

Throughout the six months ended 30 June 2003, the Company was in compliance with the Code of Best Practice as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited save that non-executive directors have not been appointed for a specific term but are subject to retirement by rotation at the Annual General Meeting of the Company in accordance with the Bye-laws of the Company.

## **AUDIT COMMITTEE**

The Company has established an audit committee comprising two independent non-executive directors, Mr. Lau Kwok Wah and Mr. Choy Sai Man. The condensed interim financial statements have been reviewed by the Company's audit committee.

By Order of the Board  
**China Nan Feng Group Limited**  
**Tao Ke Wei**  
*Executive Director*

Hong Kong, 26 September 2003