

Interim Report
2002



**China Data Broadcasting
Holdings Limited**

(中華數據廣播控股有限公司) *

(Incorporated in Bermuda with limited liability)

** For identification purposes only*

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This report, for which the directors of China Data Broadcasting Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to China Data Broadcasting Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— 1. the information contained in this report is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

The Group's consolidated turnover for the six months ended 30 June 2002 was increased by 4.6 times to HK\$24.1 million and the Group's operating loss before tax for the period was decreased by 51% to HK\$0.9 million, with the satisfactory results from the provision of the Services (as defined hereunder).

The Group's financial position is strong and its cash and bank balance was HK\$27.8 million approximately as at 30 June 2002.

BUSINESS REVIEW

During the period, apart from the data broadcasting business in the PRC, the Group capitalizes its expertise on the digital information technology field to act as a technical consultant and sourcing agent for parts and components of digital versatile disc players for a connected party (the "Services"), which is approved by independent shareholders at the special general meeting held on 31 May 2002. Details of the Services are set out in the Company's circular dated 15 May 2002.

For six months ended 30 June 2002, the Group's consolidated turnover was approximately HK\$24.1 million, representing a substantial increase by 4.6 times compared with the corresponding period last year. Loss attributable to shareholders for the period amounted to HK\$786,000 while the last corresponding period's loss was HK\$1.9 million. The Group's improved performance was mainly attributable to the broadened income base and considerable profits achieved in the provision of the Services commencing June 2002. The related turnover and gross profit amounted to HK\$22.7 million and HK\$1.5 million, respectively.

As regards the data broadcasting business in the PRC, the Group faced the prevailing stagnant PRC stock market and the fierce market competition which resulted in the unsatisfactory results attained during the six months ended 30 June 2002. The turnover derived from the sales of data broadcasting hardware and software and the provision of data broadcasting and related services decreased by 67% to HK\$1.4 million for the period, compared with the corresponding period in 2001, leading to the operating loss incurred for the period in this business segment.

However, the Group continues to focus on the R&D activities in the following area:

1. The Group has secured the know-how of the Conditional Access system which greatly strengthens the Group's technological capability in the development of dynamic encryption system. In view of the technological advancement of the system in application for individual and commercial usages, the Group believes that the system will offer business opportunities to the Group in the near future.
2. The Group has begun the research and development of the high-speed broadband data broadcasting system based on the DVB technology.

In addition to the above R&D activities, the Group continued in its customer-oriented services and is actively develop a nationwide sales distribution network for its products.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial and liquidity positions are healthy and stable. As at 30 June 2002, the Group was debt-free and its cash and bank balances amounted to HK\$27.8 million. Net current assets of the Group was approximately HK\$25.3 million. The management is confident that the Group's financial resource is sufficient to finance its day-to-day operation.

The Group's monetary assets and liabilities and transactions are principally denominated in Hong Kong dollars, Renminbi and United States dollars. As the exchange rate between Hong Kong dollars and United States dollars is stable, together with the minimal fluctuation in the exchange rate between Hong Kong dollar and Renminbi, the Group believes its exposure to exchange risk to be minimal. As at 30 June 2002, there was no charge on the Group's assets and no material contingent liability.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2002, the total number of staff of the Group in the Mainland and Hong Kong was 28. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund and provides similar schemes for its employees in the mainland. Details of retirement benefit scheme are set out in the Group's 2001 Annual Report.

The Group established a Share Option Scheme to reward its employees for their individual performances. For the six months ended 30 June 2002, the Group had 12,000,000 outstanding share options. Further details of the Scheme were disclosed in the Group's 2001 Annual Report. During the period under review, no share option had been granted nor exercised.

OUTLOOK

In view of the broadened income base and considerable profits achieved by the provision for the Services during the period, the management is confident that it will build up a steady and considerable income stream to the Group in the coming months. In addition, the management is actively exploring other business opportunities for capitalization of the Group's expertise on the digital information technology field to further broaden the income base for the interest of the Group.

As regards the data broadcasting business in the PRC, the management believes that the research and development is important in the long-term development. Accordingly, the Group will continue to invest resources to develop sophisticated products. Focus is on the high-speed broadband data broadcasting system and also the related multimedia products and mechanics such as portable multimedia voice and video recording devices. The Group will also capitalize on its brand name advantage, stressing on the establishment of its sale and after-sale network in order to further enlarge the Group's market share and to further consolidate its leading position in the data broadcasting industry.

INTERIM RESULTS (UNAUDITED)

The board of directors of the Company is pleased to present the interim report of the Company and its subsidiaries (collectively, the "Group"). These interim results have not been audited, but have been reviewed by the Company's Audit Committee.

The unaudited condensed interim accounts of the Group for three months and six months ended 30 June 2002 are as follows:

	Notes	For three months ended 30 June		For six months ended 30 June	
		2002	2001	2002	2001
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	23,599	1,763	24,060	4,272
Cost of sales		(22,004)	(1,550)	(22,432)	(3,342)
Gross profit		1,595	213	1,628	930
Other revenue		36	193	129	390
Selling and distribution costs		(107)	(221)	(201)	(456)
Administrative expenses		(1,108)	(1,729)	(2,465)	(2,707)
Operating profit/(loss) before tax	2,3	416	(1,544)	(909)	(1,843)
Tax	4	—	—	—	—
Profit/(Loss) before minority interests		416	(1,544)	(909)	(1,843)
Minority interests		—	130	123	(7)
Profit/(Loss) attributable to shareholders		416	(1,414)	(786)	(1,850)
Earnings/(Loss) per share Basic (HK cents)	5	0.13	(0.44)	(0.25)	(0.58)

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES - UNAUDITED

For six months ended 30 June 2002

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Exchange differences on translation of the financial statements of foreign entity	12	(3)
Net gains/(losses) not recognized in the profit and loss account	12	(3)
Net loss for the period attributable to shareholders	(786)	(1,850)
Total recognized gains and losses	(774)	(1,853)

CONSOLIDATED BALANCE SHEET

At 30 June 2002

		(Unaudited) 30 June 2002	(Audited) 31 December 2001
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets		417	481
Intangible asset		193	248
		<u>610</u>	<u>729</u>
CURRENT ASSETS			
Inventories		2,426	2,879
Trade receivables	6	128	67
Bills receivable	6	12,970	—
Prepayments, deposits and other receivables		354	319
Cash and bank balances		27,837	28,459
		<u>43,715</u>	<u>31,724</u>
CURRENT LIABILITIES			
Trade payables	7	168	343
Bills payable	7	12,723	—
Other payables and accruals		5,294	5,033
Amount due to related companies	8	192	232
		<u>18,377</u>	<u>5,608</u>
NET CURRENT ASSETS		25,338	26,116
TOTAL ASSETS LESS CURRENT LIABILITIES		25,948	26,845
MINORITY INTERESTS		<u>6,119</u>	<u>6,242</u>
		<u>19,829</u>	<u>20,603</u>
CAPITAL AND RESERVE			
Issued shares		7,950	7,950
Reserves	9	11,879	12,653
		<u>19,829</u>	<u>20,603</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS - UNAUDITED

	Six months ended 30 June 2002 <i>HK\$'000</i>	Six months ended 30 June 2001 <i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(747)	(4,847)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest income received	129	390
	<hr/>	<hr/>
Cash inflow from returns on investments and servicing of finance	129	390
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Additions of fixed assets	(4)	(36)
Decrease in time deposits with original maturity of more than three months	113	—
	<hr/>	<hr/>
NET CASH INFLOWS/(OUTFLOWS) FROM INVESTING ACTIVITIES	109	(36)
	<hr/>	<hr/>
DECREASE IN CASH AND CASH EQUIVALENTS	(509)	(4,493)
Cash and cash equivalents at beginning of period	14,810	36,727
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14,301	32,234
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	27,837	32,234
Time deposits with original maturity of more than three months when acquired	(13,536)	—
	<hr/>	<hr/>
	14,301	32,234
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONDENSED INTERIM ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated condensed interim accounts (the “Interim Accounts”) are prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“HKSSAP”) No. 25 “Interim Financial Reporting” and the requirements of the Rules governing the Listing of Securities on GEM (the “GEM Listing Rules”).

2. SEGMENT INFORMATION

Segment information is presented by two ways of segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

Summary details of the business segments are as follows:

- (a) sales of data broadcasting hardware and software;
- (b) provision of data broadcasting and related services; and
- (c) procurement and sales of parts and components of digital versatile disc players (the “DVD players”).

No intersegment sales and transfers were transacted during the period.

a. Business segment

The following table presents revenue and loss for six months ended 30 June 2002 of the Group's business segments.

	Sales of data broadcasting hardware and software		Provision of data broadcasting and related services		Procurement and sales of parts and components of DVD players		Total	Total
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	620	3,034	785	1,238	22,655	—	24,060	4,272
Segment results	(436)	(388)	(84)	(48)	1,520	—	1,000	(436)
Interest income and unallocated gains							129	390
Unallocated corporate expenses							(2,038)	(1,797)
Operating loss before tax							(909)	(1,843)
Tax							—	—
Loss before minority interests							(909)	(1,843)
Minority interests							123	(7)
Loss attributable to shareholders							(786)	(1,850)

b. Geographical segments

No geographical segment information is presented as during the six months ended 30 June 2002, more than 90% of the Group's segment revenue and segment results were derived from Hong Kong.

All of the Group's segment revenue and results for the six months ended 30 June 2001 were derived from the PRC.

3. OPERATING LOSS BEFORE TAX

The Group's operating loss before tax is arrived at after charging/(crediting):

	(Unaudited) Six months ended 30 June 2002 <i>HK\$'000</i>	(Unaudited) Six months ended 30 June 2001 <i>HK\$'000</i>
Depreciation	68	80
Amortisation of intangible assets	55	55
Cost of inventories sold	22,432	3,342
Interest income	(129)	(390)
	<u> </u>	<u> </u>

4. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period.

Under the Income Tax Law of the PRC, the Company's subsidiary, Tianjin Tiancai Network Software Co., Ltd. ("Tiancai Network") is subject to state income tax of 30% and local income tax of 3%. Pursuant to an approved documents issued by Tianjin High-tech Industry Park State Tax Bureau, Tiancai Network is exempted from state income tax for the first two years of operation and thereafter, is entitled to a 50% relief from state income tax for the third to fifth years inclusive, starting from 2000 when it first became profitable in accordance with relevant accounting principles generally accepted in the PRC and the relevant Income Tax Law of the PRC. Tiancai Network is also exempted from local income tax for the first five years of operation, starting from 2000 when it first became profitable.

The Group did not have any significant unprovided deferred tax liabilities in respect of the period.

5. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the three months and six months ended 30 June 2002 were based on the profit attributable to shareholders of HK\$416,000 (2001: loss of HK\$1,414,000) for the three months ended 30 June 2002 and the loss attributable to shareholders of HK\$786,000 (2001: HK\$1,850,000) for the six months ended 30 June 2002 and on 318,000,000 shares in issue during the three months and six months ended 30 June 2002 (2001: 318,000,000 Shares).

6. TRADE RECEIVABLES AND BILLS RECEIVABLE

Trade receivables

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 1 month, extending up to 3 months. Overdue balances are reviewed regularly by senior management.

An aged analysis of the trade receivables is as follows:

	(Unaudited) 30 June 2002 HK\$'000	(Audited) 31 December 2001 HK\$'000
Outstanding balances with ages:		
Within 3 months	152	176
4 - 6 months	120	1
7 - 12 months	89	126
Over 1 year	1,967	1,979
	<u>2,328</u>	<u>2,282</u>
Less: Provision for doubtful debts	<u>(2,200)</u>	<u>(2,215)</u>
	<u>128</u>	<u>67</u>

Bills receivable

All the outstanding bills receivable relate to the procurement and sales of parts and components of DVD players and age within 3 months.

7. TRADE PAYABLES AND BILLS RECEIVABLE

Trade payable

An aged analysis of the trade payables based on the invoice date is as follows:

	(Unaudited) 30 June 2002 HK\$'000	(Audited) 31 December 2001 HK\$'000
Outstanding balances with ages:		
Within 3 months	35	131
4 - 6 months	—	48
7 - 12 months	—	—
Over 1 year	133	164
	<u>168</u>	<u>343</u>

Bills payable

All the outstanding bills payable relate to the procurement and sales of parts and components of DVD players and age within 3 months.

8. RELATED PARTY TRANSACTION

The Group had the following material transactions with related parties during the period:

	(Unaudited) Six months ended 30 June 2002 <i>HK\$'000</i>	(Unaudited) Six months ended 30 June 2001 <i>HK\$'000</i>
Rentals paid to Tianjin Tianda Tiancai Co., Ltd. ("Tianda Tiancai")	80	80
Sales of parts and components of DVD players to Tianda Tiancai	<u>22,655</u>	<u>—</u>

- (a) The rentals incurred were at rates approximating open market rates.
- (b) The sales were conducted on normal commercial terms.
- (c) Tiancai Network was granted the right to use the "Tiancai" trademark in the normal course of business by Tianda Tiancai for no consideration.
- (d) The balances with Tianda Tiancai and other related company as at 30 June 2002 are unsecured, interest-free and have no fixed terms of repayment.

9. RESERVES

	SHARE PREMIUM ACCOUNT <i>HK'000</i>	CONTRIBUTED SURPLUS <i>HK'000</i>	EXCHANGE FLUCTUATION RESERVE <i>HK'000</i>	CAPITAL RESERVE <i>HK'000</i>	OTHER RESERVE <i>HK'000</i>	ACCUMULATED LOSSES <i>HK'000</i>	TOTAL <i>HK'000</i>
At 1 January 2002	28,537	885	58	307	676	(17,810)	12,653
Exchange realignments	—	—	12	—	—	—	12
Net loss for the period	—	—	—	—	—	(786)	(786)
At 30 June 2002	<u>28,537</u>	<u>885</u>	<u>70</u>	<u>307</u>	<u>676</u>	<u>(18,596)</u>	<u>11,879</u>

10. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 13 August 2002.

COMPARISONS OF BUSINESS PROGRESS

PURSUANT TO THE BUSINESS OBJECTIVES AS SET OUT IN THE PROSPECTUS DATED 17 JANUARY 2000

ACTUAL BUSINESS PROGRESS/CHANGES TO BUSINESS OBJECTIVES (IF ANY)

SALES OF PC PLUG-IN BOARDS

- Launch new model(s) of PC plug-in board

As a result of depression in the PRC stock market and keen market competition, resulting in the drop in demand for PC plug-in boards, the Group will slow down the pace to launch new PC plug-in board

Sales of TV set top box

- Launch new model(s) of financial TV set top box
- Launch new model(s) of multimedia TV set top boxes

As a result of changes in the market atmosphere, the Group consider that a prosperous market for the TV set top boxes has not been in place. As such, the Group has decided that it will not launch these products to the market in the near future.

Number of strategically allied TV network operators

- Total (with or without co-operative agreements) 418, of which 274 are under co-operative agreements

As at 30 June 2002, total number of strategically allied TV network operators was 130, of which 7 are under co-operative agreements. Reasons for failure to achieve target are as follows:

1. Under the co-operative agreements, the Group will make use of its FC technology to broadcast data. The National Standard concerning FC technology remains unclear, and as such, the Group decided to slow down the pace of signing of co-operative agreements with TV network operators in order to avoid any possible loss that may arise from the release of any new National Standard concerning the FC technology.

2. Revisions of the policies of the PRC Government on TV Broadcasting system have caused most TV stations to undergo merging and reorganizing, causing impact to the promotion of the data broadcasting business of the Group.
3. Technological development, such as the new broadband technology, affected the promotion of the VBI and FC data broadcasting technology of the Group.
4. The entrance of new competitors has caused some TV network operators to give up their strategic alliance with the Group.

Strategically allied content provider

- Continue to establish strategic alliance with content providers
- As at 30 June 2002, the Group established 1 content provider. Due to the less than expected co-operative TV network operators and subscribers that the Group has attained, the need to establish more content providers diminished.

Marketing

Sales and after sales network

- engage 75 new authorized distributors
- Engaged 28 authorized distributors.
- As a result of the depressed PRC market environment and inadequate demand, the Group engaged less authorized distributors.

Promotion activities

- Advertise on TV and in popular newspaper, periodicals or magazines
Advertisements made on TV and in newspapers. A large portion of costs was borne by TV network operators and distributors and hence, the actual costs incurred by the Group is minimal.

Market research

- Conduct research on market response to TV set top boxes to evaluate the Group's sales and marketing program
No research was conducted. See reasons under "Sales of TV set top box".

Operations and production

Transmission modules

- Provide 75 new transmission modules for FC data broadcasting to TV network operators
Provided 2 new FC data broadcasting transmission modules to TV network operators. Please refer to the explanation on "Number of strategically allied TV network operators".

Contents for data broadcasting

- Produce distance education contents for secondary education
Distance education contents were not produced. Instead, the Group obtained the contents through the co-operation with strategically allied content providers for cost reasons.
- Produce new contents by sourcing the same from electronic newspapers and magazine publishers and financial information providers
New contents were obtained from existing information providers to enrich the Group's content base.

Research and development

- Acquire computer hardware and software for product development
- Acquire facilities for product testing

There was delay on the Group's plan on new product development as a result of the Group's prudent attitude towards the National Standard. The amount spent on this area was only RMB61,000.

Product testing is performed with the existing facilities due to the above reason.

Transmission modules

- Continue to develop new models of transmission modules

As the National Standard for the data broadcasting is still not available, the Group postponed the development of these transmission modules.

Reception modules

- Continue to develop new models of reception modules

The work was closely followed on the development of the National Standard.

Software

- Continue to develop new application software for TV set top boxes

The Group succeeded in the development of first and second generation stock analysis software.

Sourcing of contents

- Continue to acquire education contents for primary, secondary and further education and professional examinations
- Continue to source or acquire new contents from electronic newspapers and magazine publishers and financial information providers

The contents were obtained through co-operation of the strategically allied content providers.

Purchased or sourced new contents from existing electronic newspapers and magazine publishers and financial information providers.

COMPARISON OF USE OF PROCEEDS

Up to 30 June 2002, the Group had utilized about HK\$8.8 million of the Placing proceeds. This represents approximately 32% of the HK\$27.1 million as stated in the Propectus.

The under-utilisation is mainly due to:

1. Approximately 63% of the planned use was expected to be utilized as working capital for the production of transmission and reception modules. As a result of the Group's prudent attitude towards the forthcoming National Standard, the production schedule had been delayed accordingly.
2. The Group has also managed to have substantial savings on promotions and advertising costs since the Group was able to utilize free resources of its allied TV network operators and content providers such as newspapers for the Group's promotion and advertising activities.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30 June 2002, the interests of the directors and their associates in the share capital of the Company and the shares of its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as set out below:

Directors	Personal Interests	Number of issued ordinary shares of HK\$0.025 each in the Company			Total Interests
		Family Interests	Corporate Interests	Others Interests	
Prof. Li Min Qiang	—	—	—	5,157,000(a)	5,157,000
Mr. Wang Guang Xin	—	—	—	17,190,000(a)	17,190,000
Madam Bu Dongmei	—	—	—	17,190,000(a)	17,190,000

Note:

- (a) 171,900,000 of the Company's shares are held by Ultra Challenge Limited ("Ultra Challenge") which are in turn held by HSBC International Trustee Limited on terms of a fixed trust. The beneficiaries of the trust include Mr. Wang Guang Xin, Professor Li Min Qiang, Mr. Yao Xiao Dong and Madam Bu Dongmei. On 26 April 2002, Mr. Yao Xiao Dong ceased to be a director of the Company. On 13 May 2002, 70% of the entire beneficial interest under the trust held by Professor Li Min Qiang was disposed of to Mr. Wang Chaowen, Mr Cheng Ze and Ms Lu Yan Hong. Since then, Professor Li Min Qiang, Mr. Wang Guang Xin, and Madam Bu Dongmei are deemed to be interested in 5,157,000, 17,190,000, 17,190,000 shares, respectively, by virtue of their respective 3%, 10% and 10% interest under the trust.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Under the terms of the Company's share option scheme approved by the shareholders on 11 January 2000, the board of directors may, at their discretion, invite any employee of the Company or any of its subsidiaries, including any executive directors, to take up options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10% of the issued share capital of the Company. The scheme became effective upon the listing of the Company's shares on GEM on 24 January 2000. No options have been granted to the directors during the period under review or outstanding as at 30 June 2002.

Apart from the foregoing, and other than as disclosed under the heading "Directors' interests in shares" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

According to the register maintained by the Company pursuant to Section 16(1) of the SDI Ordinance as at 30 June 2002, the following interests in the shares were recorded:

Name	Number of shares held	%
Ultra Challenge (note 1)	171,900,000	54.06%
HSBC International Trustee Limited (note 1)	171,900,000	54.06%
HSBC Holdings plc (note 2)	171,900,000	54.06%
HSBC Finance (Netherlands) (note 2)	171,900,000	54.06%
HSBC Holdings B. V. (note 2)	171,900,000	54.06%
HSBC Investment Bank Holdings B. V. (note 2)	171,900,000	54.06%

Notes:

- The shares in Ultra Challenge are held by HSBC International Trustee Limited on terms of a fixed trust. On 13 May 2002, 70% of the entire beneficial interest under the trust held by Professor Li Min Qiang was disposed of to Mr. Wang Chaowen, Mr. Cheng Ze and Ms Lu Yan Hong. On the same date, 90% of the entire beneficial interest under the trust held by Mr. Yao Xiao Dong was disposed of to Mr. Xiong Kai, Mr. Ye Ting, Mr. Han Tao and Mr. Ni Yue. Since then, the beneficiaries of the trust are Mr. Dong Jian Xin, Professor Li Min Qiang, Mr. Yao Xiao Dong, Mr. Tang Bin, Mr. Wang Guang Xin, Mr. Zhang Renli, Mr. Li Jiancheng, Madam Bu Dongmei, Ms. Yue Shishuang, Mr. Li Yongchao, Mr. Sun Lianwen, Mr. Xiong Kai, Mr. Ye Ting, Mr. Han Tao, Mr. Ne Yue, Mr. Wang Chaowen, Mr. Cheng Ze and Ms Lu Yan Hong. None of these beneficiaries had an effective interest amounting to 10% or more of the issued share capital of the Company.
- HSBC Holding plc, HSBC Finance (Netherlands), HSBC Holdings B. V., HSBC Investment Bank Holdings B. V. are holding companies of HSBC International Trustee Limited and they are therefore interested and/or deemed to be interested through HSBC International Trustee Limited.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

COMPETING INTEREST

None of the directors or the management shareholders of the Company (as defined in the Rules Governing the Listing of Securities on GEM) had an interest in a business which competes or may compete with the business of the Group during the period under review.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company had complied throughout the period under review the minimum standards of good practice concerning the general management responsibilities of the board of directors as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

SPONSOR'S INTEREST

As at 30 June 2002, Pacific Top Holding Limited ("Pacific Top"), a fellow subsidiary of the Company's sponsor, Oriental Patron Asia Limited ("Oriental Patron"), was interested in 8,100,000 shares of the Company. Save as disclosed herein, none of Oriental Patron, its directors, employees or associates as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules had any interests in the share capital of the Company as at 30 June 2002.

Pursuant to the agreement dated 27 September 1999 entered into between the Company and Oriental Patron, Oriental Patron has received and will receive fees for acting as the Company's retained sponsor for the period from 24 January 2000 to 31 December 2002.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTING SECURITIES

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Professor Kou Jisong
Chairman

Hong Kong, 13 August 2002