

Mobile Telecom Network (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)



03

Interim Report

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This report, for which the directors (the “Directors”) of Mobile Telecom Network (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. 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.

RESULTS

The board of Directors of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 September 2003, together with the unaudited comparative figures for the corresponding periods in 2002 as follows:

UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the Three Months and Six Months Ended 30 September 2003

	Notes	Three months ended 30 September		Six months ended 30 September	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	2,736	1,769	3,336	2,713
Other revenue		70	3	244	5
Materials and equipment		(1,787)	(505)	(2,095)	(680)
Employment costs		(1,320)	(699)	(2,466)	(1,496)
Research and development expenses		(427)	(584)	(861)	(1,186)
Depreciation of fixed assets		(521)	(631)	(1,077)	(1,266)
Other operating expenses		(1,039)	(1,035)	(1,572)	(2,016)
Loss from operations	3	(2,288)	(1,682)	(4,491)	(3,926)
Finance costs	4	(15)	(15)	(32)	(20)
Loss before taxation		(2,303)	(1,697)	(4,523)	(3,946)
Taxation	5	(12)	(7)	(12)	(8)
Loss after taxation		(2,315)	(1,704)	(4,535)	(3,954)
Minority interests		(46)	—	(46)	—
Loss attributable to shareholders		(2,361)	(1,704)	(4,581)	(3,954)
Loss per share — basic	6	0.56 cent	0.52 cent	1.10 cents	1.21 cents

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 September and 31 March 2003*

	<i>Notes</i>	Unaudited 30 September 2003 HK\$'000	Audited 31 March 2003 HK\$'000
Non-current assets			
Goodwill	7	503	—
Fixed assets	7	998	1,662
Investment in an associate		1	1
		1,502	1,663
Current assets			
Trade receivables	8	2,132	752
Deposits, prepayments and other current assets		3,143	766
Bank balances and cash		28,854	3,620
		34,129	5,138
Current liabilities			
Trade payables	9	232	19
Accruals and other payables		5,591	2,640
Customer deposits and receipts in advance		28	32
		5,851	2,691
Net current assets		28,278	2,447
Total assets less current liabilities		29,780	4,110
Financed by:			
Share capital	10	34,320	5,323
Reserves		(9,765)	(5,213)
Shareholders' equity		24,555	110
Non-current liabilities			
Minority interests		225	—
Convertible notes	11	5,000	4,000
		29,780	4,110

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the Six Months Ended 30 September 2003*

	Unaudited							
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Shares issue costs HK\$'000	Cumulative translation adjustments HK\$'000	Accumulated deficits HK\$'000	Total HK\$'000
At 1 April 2003	5,323	38,587	16,375	2,943	(3,410)	664	(60,372)	110
Translation adjustments	-	-	-	-	-	(97)	-	(97)
Capitalisation issue	20,351	(20,351)	-	-	-	-	-	-
Issue of shares	8,646	24,420	-	-	-	-	-	33,066
Share issue expenses	-	(7,353)	-	-	3,410	-	-	(3,943)
Loss for the period	-	-	-	-	-	-	(4,581)	(4,581)
At 30 September 2003	34,320	35,303	16,375	2,943	-	567	(64,953)	24,555
At 1 April 2002	5,310	38,587	16,375	2,943	-	631	(51,622)	12,224
Translation adjustments	-	-	-	-	-	(34)	-	(34)
Issue of shares	13	-	-	-	-	-	-	13
Loss for the period	-	-	-	-	-	-	(3,954)	(3,954)
At 30 September 2002	5,323	38,587	16,375	2,943	-	597	(55,576)	8,249

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the Six Months Ended 30 September 2003*

	Unaudited Six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
Net cash used in operating activities	(4,988)	(2,060)
Net cash inflow from/(used in) investing activities	196	(14)
Net cash inflow from financing activities	30,123	1,257
Increase/(decrease) in cash and cash equivalents	25,331	(817)
Cash and cash equivalents at 1 April	3,620	8,301
Effect of foreign exchange rate changes	(97)	(34)
Cash and cash equivalents at 30 September	28,854	7,450
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	28,854	7,450

NOTES TO THE CONDENSED INTERIM ACCOUNTS:**1. Basis of preparation and accounting policies**

These unaudited condensed consolidated accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants, and Chapter 18 of the Listing Rules of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The interim accounts should be read in conjunction with the 2003 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in preparation of the annual accounts for the year ended 31 March 2003, except that the Group has adopted the new and revised SSAPs which became effective on or after 1 January 2003. The adoption of these new and revised SSAPs has no material effect on the Group's results for the current and prior periods.

2. Revenue and turnover and segment information

The Group is principally engaged in the development, provision and sale of mobile Internet communication telecommunications and related services in Hong Kong and other Asian countries. Revenues recognised during the periods are as follows:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Sales of MobileSurf-installed pocket personal computers and computer accessories	278	267	418	280
Subscription fees from provision of MobileSurf service	11	29	25	64
Service fees from provision of mobile data solutions and related services	2,424	1,008	2,822	1,354
Fees for development of customized software	—	465	—	965
Fees for provision of mobile messaging service	23	—	71	50
	2,736	1,769	3,336	2,713

No segment information by business segment is presented as the Group operates in one business segment — mobile data solutions.

An analysis of the Group's turnover and results for the periods by geographical locations is as follows:

Unaudited								
Six months ended 30 September 2003								
	Hong Kong/ Macau HK\$'000	The People's Republic of China (the "PRC") HK\$'000	Australia HK\$'000	Malaysia HK\$'000	Singapore HK\$'000	Taiwan HK\$'000	Others ** HK\$'000	Total HK\$'000
Turnover *	<u>2,051</u>	<u>—</u>	<u>760</u>	<u>305</u>	<u>125</u>	<u>94</u>	<u>1</u>	<u>3,336</u>
Segment results	<u>(2,874)</u>	<u>—</u>	<u>34</u>	<u>14</u>	<u>(201)</u>	<u>(334)</u>	<u>(5)</u>	<u>(3,366)</u>
Unallocated costs								<u>(1,125)</u>
Loss from operations								<u>(4,491)</u>
Finance costs								<u>(32)</u>
Loss before taxation								<u>(4,523)</u>
Taxation								<u>(12)</u>
Loss after taxation								<u>(4,535)</u>
Minority interests								<u>(46)</u>
Loss attributable to shareholders								<u>(4,581)</u>

	Unaudited					Total HK\$'000
	Six months ended 30 September 2002					
	Hong Kong/ Macau HK\$'000	The PRC HK\$'000	Singapore HK\$'000	Taiwan HK\$'000	Others ** HK\$'000	
Turnover *	<u>2,509</u>	<u>184</u>	<u>12</u>	<u>8</u>	<u>—</u>	<u>2,713</u>
Segment results	<u>(2,656)</u>	<u>47</u>	<u>(537)</u>	<u>(476)</u>	<u>(67)</u>	<u>(3,689)</u>
Unallocated costs						<u>(237)</u>
Loss from operations						<u>(3,926)</u>
Finance costs						<u>(20)</u>
Loss before taxation						<u>(3,946)</u>
Taxation						<u>(8)</u>
Loss attributable to shareholders						<u><u>(3,954)</u></u>

* Turnover by geographical location is determined on the basis of the destination of delivery of merchandise or the location of rendering of services.

** Others represent the turnover generated from the United States of America (the "USA") and Thailand.

There are no sales or other transactions between the business segments. Unallocated costs represent corporate expenses.

3. Loss from operations

Loss from operations is stated after charging the following:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amortisation of goodwill	8	—	8	—
Depreciation:				
Owned assets	517	631	1,073	1,266
Leased assets	4	—	4	—
Operating lease rentals of premises and facilities	256	275	471	656
Provision for doubtful debts	54	6	57	26
Staff costs (including directors' emoluments and staff redundancy cost), including amount classified as research and development expenses	1,747	1,284	3,327	2,682

4. Finance costs

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank interest and charges	2	5	7	10
Interest expenses — others	13	10	25	10
	15	15	32	20

5. Taxation

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong during the six months ended 30 September 2003 and 30 September 2002.

No provision for overseas (the PRC, Singapore, Taiwan and the USA) income taxes has been made as the Group operating in these countries were operating at a loss during the six months ended 30 September 2003 and 30 September 2002.

No provision for deferred taxation has been made as the Group did not have any significant unprovided deferred tax in respect of the periods.

6. Loss per share

The calculation of the basic loss per share is based on the unaudited net loss attributable to shareholders for the six months end 30 September 2003 of approximately HK\$4,581,000 (2002: HK\$3,954,000) and on the weighted average number of approximately 417,158,470 shares in issue for the six months ended 30 September 2003 (2002: 325,864,899 shares).

No diluted loss per share is presented as there was no dilutive potential ordinary share during the period.

7. Capital expenditure

	Goodwill HK\$'000	Fixed assets HK\$'000
Opening net book value as at 1 April 2003 — Audited	—	1,662
Acquisition of subsidiary (<i>note 12</i>)	511	413
Amortisation charge/depreciation (<i>note 3</i>)	(8)	(1,077)
	<hr/>	<hr/>
Closing net book value as at 30 September 2003 — Unaudited	503	998
	<hr/> <hr/>	<hr/> <hr/>

8. Trade receivables

The credit period granted by the Group to its customers is generally 30 days. Ageing analysis of trade receivables is as follows:

	Unaudited 30 September 2003 HK\$'000	Audited 31 March 2003 HK\$'000
0 to 30 days	1,030	423
31 to 60 days	424	283
61 to 90 days	159	6
91 to 180 days	251	116
Over 180 days	401	—
	<hr/>	<hr/>
	2,265	828
Less: Provision for doubtful debts	133	76
	<hr/>	<hr/>
	2,132	752
	<hr/> <hr/>	<hr/> <hr/>

9. Trade payables

Ageing analysis of trade payables is as follows:

	Unaudited 30 September 2003 HK\$'000	Audited 31 March 2003 HK\$'000
0 to 30 days	27	19
31 to 60 days	45	—
61 to 90 days	—	—
91 to 180 days	160	—
	232	19

10. Share Capital

	Authorised			
	30 September 2003		31 March 2003	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised ordinary shares of US\$0.01 each	2,000,000	156,000	2,000,000	156,000
	Issued and fully paid			
	30 September 2003		31 March 2003	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
At 1 April 2003 and 2002	69,092	5,323	68,071	5,310
Issue of shares upon exercise of share options (note (i))	—	66	1,021	13
Issue of shares (notes (ii) & (iii))	370,908	28,931	—	—
At 30 September 2003 and 31 March 2003	440,000	34,320	69,092	5,323

- (i) During the year ended 31 March 2003, Mr. Chu Tak Long, a consultant of the Group, exercised his share options and subscribed for 170,178 shares of US\$0.01 each for cash of approximately HK\$13,000 (equivalent to US\$1,702) and Mr. Chan Wai Kwong, Peter, an executive director of the Company, exercised his share options and subscribed for 850,888 of US\$0.01 each for HK\$66,000 (equivalent to US\$8,509) of which was received on 30 April 2003.
- (ii) On 6 May 2003, the Company issued 260,908,000 shares of US\$0.01 each to its shareholders (before the placement as described in note (iii) below) in proportion of their respective shareholdings in the Company, by capitalization of HK\$20,351,000 from the share premium resulting from the placing as described in note (iii) below.
- (iii) On 6 May 2003, 110,000,000 shares of US\$0.01 each were issued by way of placing for cash of HK\$0.3 per share, raising an amount of HK\$33,000,000. Total share issue costs amounted to approximately HK\$7,400,000, of which approximately HK\$3,410,000 was incurred as at 31 March 2003 and was recorded as a deduction against shareholders' equity.

11. Convertible notes

The Group's convertible notes were repayable as follows:

	Unaudited 30 September 2003 HK\$'000	Audited 31 March 2003 HK\$'000
Within one year	—	—
In the second year	3,600	—
In the third to fifth year	1,400	4,000
	<u>5,000</u>	<u>4,000</u>

12. Acquisition

On 28 July 2003, MTel Limited, a wholly owned subsidiary of the Company, acquired 60% of the share capital of Mobilemode Limited which is a mobile entertainment and information content aggregator serving the needs of mobile phone operators and portals in the Asia Pacific and the PRC. The consideration of approximately US\$100,000 (equivalent to approximately HK\$780,000) will be settled in cash. The fair value of the net identifiable assets of the company at the date of acquisition was approximately HK\$269,000. The resulting goodwill of approximately HK\$511,000 will be amortised on a straight-line basis over 10 years.

The assets and liabilities arising from the acquisition are as follows:

	HK\$'000
Fixed assets (<i>note 7</i>)	413
Other assets less liabilities	35
	<hr/> 448
Less: minority interests	179
	<hr/> 269
Fair value of net assets acquired	269
Goodwill (<i>note 7</i>)	511
	<hr/> 780
Total purchase consideration	<hr/> 780

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

The consolidated turnover of the Group for the six months ended 30 September 2003 ("period under review") surged to approximately HK\$3,336,000, an approximately 23% increase over the corresponding period in 2002. This improvement was mainly due to the contribution of one of the Group's subsidiaries, Mobilemode Limited ("Mobilemode"), which was newly acquired by the Group in July 2003.

Compared with the corresponding period in 2002, the aggregate operating expenses for the period under review increased by HK\$1,427,000 to HK\$8,071,000. The increase was mainly due to the consolidation of the newly acquired business. As such, both turnover and operating expenses increased. The resultant loss from operations for the period under review amounted to HK\$4,491,000 (corresponding period in 2002: approximately to HK\$3,926,000).

Loss per share for the period under review was HK1.10 cents (six months ended 30 September 2002: HK\$1.21 cents), a slight narrowing of approximately 9.1% as compared with that of the corresponding period in 2002.

During the period under review, the Group's two major sources of income — service fees from the provision of mobile data solutions and related services and, sales of MobileSurf-installed pocket personal computers and computer accessories, contributed HK\$2,822,000 and HK\$418,000 respectively to the Group's total turnover. Both sectors recorded strong growth as compared with the HK\$1,354,000 and HK\$280,000 recorded in the corresponding period in 2002. The increases reflect the effect of consolidation of the newly acquired business which brought in income of HK\$2,145,000 in the provision of mobile data solutions and related services.

Among the different markets in the region, Hong Kong and Macau were the main revenue contributors, accounting for 61.5% of the Group's turnover, while Australia, Malaysia, Singapore and Taiwan brought in 22.8%, 9.1%, 3.7% and 2.8% respectively.

Business Review

With the retreat of Severe Acute Respiratory Syndrome ("SARS") in late June, the economic environment has been gradually gaining energy, and confidence in the local market has returned as stimulated by the Closer Economic Partnership Arrangement ("CEPA") between the PRC and Hong Kong, and the policy of the Chinese Government allowing residents of cities in Guangdong to visit Hong Kong in an individual capacity from July this year. Being principally engaged in the provision of wireless data platforms and wireless solutions as well as mobile entertainment, the Group is looking forward to the benefits brought about by the above policies which will open up channels for the Group to enter the mobile technology market in the PRC.

For the period under review, the Group successfully acquired Mobilemode, a company incorporated in Hong Kong. Mobilemode is a mobile entertainment and information contents aggregator serving the needs of mobile phone operators and portals in the Asia Pacific and the PRC. Mobilemode distributes the latest fun and interesting mobile entertainment applications and content including ring tones, java games, multimedia messages service ("MMS") and other graphic content downloadable onto mobile phones. The contents are originated from the world's most advanced mobile markets in Europe and the Asia Pacific and are distributed throughout the Asia Pacific, including Hong Kong, Singapore, Malaysia, Indonesia, Australia and the PRC. The Group believes that Mobilemode will broaden and enrich the Group's business in the market of mobile data solutions in terms of both applications and contents and geographical coverage.

Having acquired Mobilemode, the Group's financial performance has greatly improved in terms of turnover as compared with the corresponding period last year. Furthermore, the allocation of manpower and other resources within the Group was further optimized during the period under review, as part of the Group's operating expenses were reduced while turnover increased, proving the benefits of the acquisition. The Group has confidence that the acquisition of Mobilemode will enhance the Group's rapid growth, while also marking its first step in realizing its aims to gain strong and competitive foothold in the mobile data solution industry through the formation of strategic alliances and investment in telecommunication-related companies.

Research and Development

During the period under review, the Group extended its Mobilesurf platform into MMS, XHTML, and JAVA Applications development on various mobile handsets. At the same time, the operation system level optimization for GloDAN has been upgraded with the WAP Push mechanism being built and tested with operators.

The Group has also been strengthening the development of its applications and solutions for MobileSurf with additional features.

Sales and Marketing

The Group has generated substantial revenue from its recurring business with telecommunication operators over the past six months. The Group has expanded its business into Indonesia and has opened new operator sales channels in Australia, South Africa, Singapore, Indonesia and Taiwan. The Group's sales network now covers 10 countries across the South East Asian region with almost 30 telecommunication operators. In Hong Kong and Taiwan, the Group operates with all the local telecommunication players. From the products' point of view, the Group has maintained its focus on developing completely new and user-friendly services and streamlined its distribution channel to deliver third party content even further to maximize revenues and maximize the potential of the Group's service delivery engine that is connected to the operator infrastructure.

The Group co-operated with Hutchison Telecom to successfully launch a Soccer Betting Java Application in August 2003. The Group further extended applications into two areas: 1) SMS and MMS related features on the Soccer Betting Java Application; and 2) extended the platform into XHTML development on Soccer Betting. The response rate has been good and services are being extended to other local telecommunication operators such as Sunday and Peoples.

The Group plans to deploy more JAVA applications with a variety of content, e.g. Daily Bulletin applications for 2.5G which is expected to be launched by Hutchison Telecom at the end of November. With these applications, users can browse all LIVE news and reports including breaking news, local news, international news, weather and air pollution, traffic conditions around Hong Kong, etc. In addition, market information is also included in this application for financial news, currencies, stock quotes and indexes, stock portfolios, etc. In addition, the Group is working on Mobile Video with telecommunication operators including Orange 3G from Hutchison Telecom.

Meanwhile, the Group has extended its movie channel to many local telecommunication operators so that movie trailers and movie content (MMS and wallpaper) are available for download and view by their 2.5G mobile users.

Lately, the program “#3222 Movie Jetso” was launched for Hutchison Telecom so that mobile subscribers can redeem free movie tickets by downloading an M-coupon via their mobile phones while Hutchison Telecom dispatches SMS promoting the movie in turn. This service is highly popular and the Group shares the revenue generated from the M-Coupon downloads with the parties involved.

Prospects

The Group will maintain its focus on the quality and quantity of high-end mobile entertainment services. During the period under review, the Group secured several new content providers adding their content into the distribution network. The content providers are mainly European companies and the Group is helping these companies with their strategy in the Asia Pacific region.

In addition, the Group has entered into an agreement with TV-show Pop Stars and is implementing the first phase of Pop-Star-related content and SMS-services (such as SMS-voting) in Indonesia. The Group’s target is to become Pop Stars’ sole mobile partner in the Asia Pacific region, so as to fully optimize the potential of these cross media co-operations.

Looking ahead, the Group will continue to negotiate and form strategic alliances with potential mobile-data-related companies. With these developments, the Group is confident it will move towards a leading position in the mobile data market.

Liquidity and Financial Resources

The Group generally financed its operation and investment activities with internally generated cash flows, investments from its existing shareholders and the balance of the net proceeds from the listing of the Company’s shares on GEM on 9 May 2003.

As at 30 September 2003, the Group had net current assets of approximately HK\$28,278,000 (as at 31 March 2003: approximately HK\$2,447,000), of which approximately HK\$28,854,000 (as at 31 March 2003: approximately HK\$3,620,000) were in bank balances and cash. The Directors are confident that the Group’s existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

Gearing Ratio

The gearing ratio of the Group, based on total liabilities to shareholders’ equity, was 0.45 as at 30 September 2003 (as at 31 March 2003: 60.8). The decrease was due to the realization of accrued listing expenses.

Foreign Exchange Exposure

The income and expenditure of the Group are denominated in Hong Kong dollars, Singapore dollars, New Taiwan dollars, Australian dollars, Malaysian dollars and RMB. In view of the stability of the exchange rates among these currencies, the Directors do not consider that the Group is significantly exposed to foreign exchange risk. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

Capital Structure

As at 30 September 2003, the Group's net assets were financed by internal resources through share capital and reserves. Total equity attributable to shareholders as at 30 September 2003 was approximately HK\$24,555,000 (as at 31 March 2003: HK\$110,000).

Material Acquisitions/Disposals and Significant Investments

For the period under review, the Group completed the acquisition of the mobile entertainment company, Mobilemode. For details please refer to the section headed "Business Review" above.

Save as disclosed above, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies during the period under review.

The Group had no significant investments during the period under review.

Charges on Group's Assets

As at 30 September 2003, the Group did not have any charges on the Group's assets.

Contingent Liabilities

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

Employee Information

As at 30 September 2003, the Group had a total of 22 employees in Hong Kong, Taiwan and Singapore. The Group's employees are remunerated in accordance with their work performance, experience and prevailing industry practices. Total staff costs, including Directors' emoluments, amounted to approximately HK\$3,327,000 during the period under review (2002: approximately HK\$2,682,000). Share options and bonuses are also available to the Group's employees at the discretion of the Directors and depending upon the financial performance of the Group.

COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS
Business Objectives as set out in the Company's Prospectus dated 30 April 2003 (the "Prospectus") from 9 May 2003 to 30 September 2003

Actual business progress in respect of the period ended 30 September 2003

1. Enhancement and development of mobile data products and solutions

MobileSurf	—	upgrade MobileSurf	the Group extended its MobileSurf services in the forms of MMS, XHTML and JAVA Applications on various mobile handsets
GloDAN	—	upgrade the operation system level optimization of GloDAN	the Group built and tested WAP Push mechanism
Secure wireless communication channel	—	develop the 1st generation prototype of wireless communication channel	the Group has continuously developed its 1st generation prototype of wireless communication channel
Wireless multimedia content manager	—	develop the 1st generation of wireless multimedia content manager, a system which is used to deploy multimedia contents through wireless channel	the Group developed its 1st generation of wireless multimedia content manager, a system which is used to deploy multimedia contents through wireless channel

Business Objectives as set out in the Company's Prospectus dated 30 April 2003 (the "Prospectus") from 9 May 2003 to 30 September 2003

Actual business progress in respect of the period ended 30 September 2003

1. Enhancement and development of mobile data products and solutions

(continued)

Remote monitoring and controlling system

- develop the 1st generation of remote monitoring and controlling system which is used to monitor and control computing system in a wireless environment

the Group deployed SMS and E-mail alert features in the monitoring and controlling system

2. Upgrading R&D facilities

- acquire 2 additional workstations for research and development purpose

due to the acquisition of Mobilemode which would provide additional workstations for our research and development works, no other workstations were acquired

Business Objectives as set out in the Company's Prospectus dated 30 April 2003 (the "Prospectus") from 9 May 2003 to 30 September 2003

3. Forming strategic alliances and joint ventures with and investing in telecommunication-related companies

— form joint venture with or invest in telecommunication-related companies in Guangdong, Shanghai, Beijing and Hunan, the PRC

Actual business progress in respect of the period ended 30 September 2003

due to the outbreak of SARS, the Group adopted a cautious approach and did not form any joint venture with or invest in telecommunication-related companies in Guangdong, Shanghai, Beijing and Hunan, the PRC

the Group acquired Mobilemode (a company incorporated in Hong Kong), a mobile entertainment and information content aggregator serving the needs of mobile phone operators and portals in the Asia Pacific and the PRC

the Group is in negotiations with several mobile-data companies but no investment has yet been made

Business Objectives as set out in the Company's Prospectus dated 30 April 2003 (the "Prospectus") from 9 May 2003 to 30 September 2003

Actual business progress in respect of the period ended 30 September 2003

- | | | |
|--|---|--|
| <p>3. Forming strategic alliances and joint ventures with and investing in telecommunication-related companies
<i>(continued)</i></p> | <p>— continue to form strategic alliances with mobile telecommunication operators, hardware manufacturers, information technology related companies including software/ applications developers and enterprises to identify and pursue business opportunities, launch mobile data services and solutions and conduct joint promotional and sales activities</p> | <p>the Group has generated substantial revenue from recurring business with many leading telecommunication operators over the past six months. For example, the Group co-operated with Hutchison Telecom to successfully launch the Soccer Betting Java Application</p> |
| <p>4. Establishment of sales and technical support offices in the PRC</p> | <p>— start planning on setting up office in Guangdong province, the PRC</p> <p>— start feasibility study on setting up sales and technical support offices in Shanghai and Beijing, the PRC</p> | <p>for the period under review, the Group consistently adopted a cautious approach and did not set up an office in Guangdong province, the PRC but has appointed 2 consultants in the PRC who are stationed at Guangdong to understand the market situations</p> <p>the Group has visited Shanghai and Beijing for initial investigation</p> |

Business Objectives as set out in the Company's Prospectus dated 30 April 2003 (the "Prospectus") from 9 May 2003 to 30 September 2003

Actual business progress in respect of the period ended 30 September 2003

5. Expansion of sales and marketing network

— continue to jointly participate in various seminars and roadshows with business partners

the Group actively participated in various seminars and roadshows with business partners

— continue to participate in/coordinate various seminars, exhibitions and tradeshows to promote and introduce the Group's existing and new services products

the Group joined a High Level Business Delegation in Beijing organized by the Hong Kong Chamber of Commerce to meet the Vice-Premier Wu Yi and other key government officials to promote and introduce the Group's existing and new services products

the Group took a booth and participated in a seminar to introduce its "Universal Content Management System" in the "IT in the 1st Conference on the Development of Chinese IT & V-Dragon CPU Trade Forum" organized by Culturecom Holdings Limited ("Culturecom") on 17 July 2003

Business Objectives as set out in the Company's Prospectus dated 30 April 2003 (the "Prospectus") from 9 May 2003 to 30 September 2003

Actual business progress in respect of the period ended 30 September 2003

5. Expansion of sales and marketing network
(continued)

- establish and expand sales and distribution network by partnering with telecommunication companies in different regions

the Group expanded its business to Indonesia and has opened new sales channels in Australia, South Africa, Singapore, Indonesia and Taiwan. The Group's sales network now covers 10 countries across South East Asian region extending to almost 30 telecommunication operators

USE OF PROCEEDS

**From 9 May 2003
(Date of Listing) to
30 September 2003**

		Proposed	Actual
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Enhancement and development of mobile data products and solutions	1	1,090	80
Upgrading research and development facilities	2	150	0
Forming strategic alliances and joint ventures with and investing in telecommunication-related companies	3	3,500	40
Establishment of sales and technical support offices in the PRC	1	160	7
Expansion of sales and marketing network	1	220	58
Working capital	1	690	0
Total		5,810	185

Notes:

1. During the period from early March to late June, a few of the countries had suffered from the outbreak of SARS. In particular, Asian Pacific regions especially Hong Kong and the PRC were seriously affected. This situation also affected the Group's performance for the period under review. As the Group adopted a cautious approach and the proceeds used during the period under review were far less than the amount estimated in the Prospectus dated 9 May 2003.
2. Due to the acquisition of Mobilemode which would provide additional workstations for our research and development works, no other workstations were acquired up to the period under review.
3. The acquisition cost of Mobilemode as mentioned under the point 3 "Forming strategic alliances and joint ventures with and investing in telecommunication-related companies" in paragraph headed "Comparison of business objectives and actual business progress" above has not been paid during the period under review. The actual cost shown above represents the related acquisition costs, e.g. legal advisory fee and communication fees.
4. The remaining net proceeds of approximately HK\$25,500,000 will be applied according to the usage as disclosed in the Prospectus dated 9 May 2003.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY (THE "SHARES")

As at 30 September 2003, the interests and short positions of the Directors and chief executives of the Company in the Shares, debentures or underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares – interests in the Shares

Name of Directors	Capacity	Number of Shares held	Approximately percentage of issued share capital
Chan Chung	<i>(Note)</i>	180,265,861	41.0%
Chan Wai Kwong, Peter	Beneficial owner	4,064,036	0.9%
		<u>184,329,897</u>	<u>41.9%</u>

Note: By virtue of the SFO, Mr. Chan Chung is deemed to be interested in the 180,265,861 Shares held by Silicon Asia Limited ("Silicon"), a private company beneficially wholly owned by him.

Long position in underlying Shares of equity derivatives – interest in option of the Company

Name of Directors	Capacity	Date of grant	Number of underlying Shares	Approximate percentage of issued share capital	Option Period	Consideration for the grant of the option HK\$	Exercise price per share HK\$
Chan Chung (Note)	Beneficial owner	27 March 2003	300,000	0.068%	9 May 2004 – 8 May 2014	1.00	0.103
Chan Wai Kwong, Peter (Note)	Beneficial owner	27 March 2003	100,000	0.023%	9 May 2004 – 8 May 2014	1.00	0.103
			400,000	0.091%			

Note: Share options to Mr. Chan Chung and Mr. Chan Wai Kwong, Peter were granted under the Pre-IPO share option scheme which was approved by the shareholders of the Company on 27 March 2003 (the "Pre-IPO Share Option Scheme"). All of the above share options are physically settled equity derivatives.

Short positions in underlying Shares of equity derivatives

Name of Director	Capacity	Number and description of equity derivatives	Number of underlying Shares	Approximate percentage of issued share capital
Chan Chung	(Note 1)	(Note 2)	1,400,000	0.32%

Notes:

- Mr. Chan Chung is deemed, by virtue of the SFO, to be interested in the short positions taken by Silicon as he is the beneficial owner of the entire issued share capital of Silicon. He is also the sole director of Silicon.
- Pursuant to an option agreement dated 28 March 2002, Silicon granted an option to OUB.com Pte Ltd pursuant to which OUB.com Pte Ltd may purchase 1,400,000 Shares from Silicon at a price of HK\$0.103 per share (as adjusted in accordance with the terms of the agreement). The option is exercisable on any business day during the period from 9 November 2003 to 4 August 2004.

Save as disclosed above, as at the date of this announcement, none of the Directors and chief executives of the Company has or was deemed to have any interests or short positions in any Shares, debentures or underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES OF THE COMPANY

As at 30 September 2003, so far as is known to, or can be ascertained after reasonable enquiry by the Directors or chief executives of the Company, the persons who have, directly or indirectly, interests or had short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in Shares – interest in the Shares

Name of shareholder	Capacity	Number of shares held	Approximate percentage of the issued share capital
Silicon	Beneficial owner	180,265,861	41.0%
Chan Chung	(Note 1)	180,265,861	41.0%
Vodatel Information Limited	Beneficial owner	31,902,233	7.3%
Vodatel Networks Holdings Limited ("Vodatel")	(Note 2)	31,902,233	7.3%
Go Capital Limited	Beneficial owner	31,902,233	7.3%
Culturecom Holdings Limited	(Note 3)	31,902,233	7.3%
Universal Line Venture Limited	Beneficial owner	31,902,233	7.3%
Chan How Chung, Victor	(Note 4)	31,902,233	7.3%
OUB.com Pte Ltd	Beneficial owner	25,269,451	5.7%
United Overseas Bank Limited ("UOB")	(Note 5)	25,269,451	5.7%
Lake Haven Limited	Beneficial owner	23,881,144	5.4%
Hutchison Whampoa Limited ("Hutchison Whampoa")	(Note 6)	23,881,144	5.4%
			74.0%

Notes:

1. Silicon, a company incorporated in the British Virgin Islands, is an investment holding company. Silicon is directly wholly owned by Mr. Chan Chung. Mr. Chan Chung is deemed, by virtue of the SFO, to be interested in the same 180,265,861 Shares held by Silicon.
2. Vodatel is deemed, by virtue of the SFO, to be interested in the 31,902,233 Shares to be held by Vodatel Information Limited as Vodatel Information Limited is a direct wholly-owned subsidiary of Vodatel Hong Kong Holdings Limited which is a direct wholly-owned subsidiary of Vodatel Holdings Limited, a direct wholly-owned subsidiary of Vodatel. Vodatel is a company incorporated in Bermuda whose shares are listed on GEM (Stock code 8033). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Vodatel or in accordance with whose directions or instructions Vodatel or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Vodatel is interested under the SFO will be deemed to be interested in the 31,902,233 Shares which Vodatel is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Vodatel can be found in the information published by Vodatel from time to time and from the GEM website at www.hkgem.com. According to the latest annual report of Vodatel, as at 30 June 2003, Mr. Jose Manuel dos Santos and Eve Resources Limited were both interested or deemed to be interested in more than one-third of the then issued share capital of Vodatel.
3. Culturecom is deemed, by virtue of SFO, to be interested in the 31,902,233 Shares to be held by Go Capital Limited as Go Capital Limited is a direct wholly-owned subsidiary of Culturecom Investments Limited which is a direct wholly-owned subsidiary of Culturecom Holdings (BVI) Limited, a direct wholly-owned subsidiary of Culturecom. Culturecom is a company incorporated in Bermuda whose shares are listed on the Main Board (Stock code 343). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Culturecom or in accordance with whose directions or instructions Culturecom or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Culturecom is interested under the SFO will be deemed to be interested in the 31,902,233 Shares which Culturecom is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Culturecom can be found in the information published by Culturecom from time to time and from the website of the Stock Exchange at www.hkex.com.hk. According to the latest annual report of Culturecom, as at 31 March 2003, no person was interested or deemed to be interested in more than one-third of the then issued share capital of Culturecom.
4. Mr. Chan How Chung, Victor is deemed, by virtue of the SFO, to be interested in the 31,902,233 Shares to be held by Universal Line Venture Limited as Universal Line Venture Limited is directly wholly owned by Mr. Chan How Chung, Victor.

5. UOB is deemed, by virtue of the SFO, to be interested in the 25,269,451 Shares to be held by OUB.com Pte Ltd as OUB.com Pte Ltd is a direct wholly-owned subsidiary of UOB. UOB is a company incorporated in Singapore, the shares of which are listed on Singapore Stock Exchange Securities Trading Limited. Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of UOB or in accordance with whose directions or instructions UOB or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which UOB is interested under the SFO will be deemed to be interested in the 25,269,451 Shares which UOB will be deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in OUB can be found in the information published by OUB from time to time and from the website of Singapore Stock Exchange Securities Trading Limited at www.sgx.com. According to the latest annual report of UOB, as at 17 March 2003, no person was interested or deemed to be interested in more than one-third of the then issued share capital of UOB.
6. Hutchison Whampoa is deemed, by virtue of the SFO, to be interested in the 23,881,144 Shares to be held by Lake Haven Limited as Lake Haven Limited is an indirect wholly-owned subsidiary of Hutchison Whampoa. Hutchison Whampoa is a company incorporated in Hong Kong whose shares are listed on the Main Board (Stock code 13). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Hutchison Whampoa or in accordance with whose directions or instructions Hutchison Whampoa or its directors are accustomed to act or who are otherwise taken to be interested in the 23,881,144 Shares in which Hutchison Whampoa is interested under the SFO will be deemed to be interested in the 23,881,144 Shares which Hutchison Whampoa will be deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Hutchison Whampoa can be found in the information published by Hutchison Whampoa from time to time and from the website of the Stock Exchange at www.hkex.com.hk.

Long position in underlying Shares of equity derivatives – interests in options of the Company

Name	Capacity	Number of underlying Shares	Approximate percentage of the issued share capital	Exercise period	Exercise price per Share HK\$
OUB.com Pte Ltd (Note 1)	Beneficial owner	2,042,133	0.46%	9 November 2003 – 4 August 2004	0.103
UOB	(Note 2)	2,042,133	0.46%	9 November 2003 – 4 August 2004	0.103
OUB.com Pte Ltd (Note 3)	Beneficial Owner	1,400,000	0.32%	9 November 2003 – 4 August 2004	0.103
UOB	(Note 4)	1,400,000	0.32%	9 November 2003 – 4 August 2004	0.103
			<u>0.78%</u>		

Notes:

1. These share options were granted to OUB.com Pte Ltd by the Company pursuant to an option agreement dated 28 March 2002 as amended by a supplemental agreement between the same parties dated 3 April 2003.
2. UOB is deemed, by virtue of the SFO, to be interested in the share options to subscribe for 2,042,133 shares held by OUB.com Pte Ltd as OUB.com Pte Ltd is a direct wholly-owned subsidiary of UOB. UOB is a company incorporated in Singapore, the shares of which are listed on Singapore Stock Exchange Securities Trading Limited. Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of UOB or in accordance with whose directions or instructions UOB or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which UOB is interested under the SFO will be deemed to be interested in the share options to subscribe for 2,042,133 Shares which UOB will be deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in UOB can be found in the information published by UOB from time to time and from the website of Singapore Stock Exchange Securities Trading Limited at www.sgx.com. According to the latest annual report of UOB, as at 17 March 2003, no person was interested or deemed to be interested in more than one-third of the then issued share capital of UOB.
3. These share options were granted to OUB.com Pte Ltd by Silicon pursuant to an option agreement dated 28 March 2002.
4. UOB is deemed, by virtue of the SFO, to be interested in the share options to subscribe for 1,400,000 Shares held by OUB.com Pte Ltd as OUB.com Pte Ltd is a direct wholly-owned subsidiary of UOB. UOB is a company incorporated in Singapore, the shares of which are listed on Singapore Stock Exchange Securities Trading Limited. Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of UOB or in accordance with those directions or instructions UOB or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which UOB is interested under the SFO will be deemed to be interested in the share options to subscribe for 1,400,000 Shares which UOB will be deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in UOB can be found in the information published by UOB from time to time and from the website of Singapore Stock Exchange Securities Trading Limited at www.sgx.com. According to the annual report of UOB, as at 17 March 2003, no person was interested or deemed to be interested in more than one-third of the then issued share capital of UOB.

Long positions in underlying Shares of equity derivatives – interests in convertible notes of the Company *(Note 1)*

Name	Capacity	Amount of convertible notes of the Company issued	Number of underlying Shares <i>(Note 5)</i>	Approximate percentage of issued share capital
Vodatel Information Limited	Beneficial owner	HK\$1,600,000	20,512,820	4.7%
Vodatel	<i>(Note 2)</i>	HK\$1,600,000	20,512,820	4.7%
Go Capital Limited	Beneficial owner	HK\$1,800,000	23,076,923	5.2%
Culturecom	<i>(Note 3)</i>	HK\$1,800,000	23,076,923	5.2%
Universal Line Venture Limited	Beneficial owner	HK\$1,600,000	20,512,820	4.7%
Chan How Chung, Victor	<i>(Note 4)</i>	HK\$1,600,000	20,512,820	4.7%
				14.6%

Notes:

- These convertible notes were issued pursuant to the subscription agreement dated 28 March 2002 entered into between the Company and Universal Line Venture Limited, Vodatel Information Limited, Go Capital Limited and OUB.com Pte Ltd as amended by a supplemental agreement dated 27 January 2003.
- Vodatel is deemed, by virtue of the SFO, to be interested in the convertible notes held by Vodatel Information Limited as Vodatel Information Limited is a direct wholly-owned subsidiary of Vodatel Hong Kong Holdings Limited which is a direct wholly-owned subsidiary of Vodatel Holdings Limited, a direct wholly-owned subsidiary of Vodatel. Vodatel is a company incorporated in Bermuda whose shares are listed on GEM (Stock code 8033). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Vodatel or in accordance with whose directions or instructions Vodatel or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Vodatel is interested under the SFO will be deemed to be interested in the convertible notes which Vodatel is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Vodatel can be found in the information published by Vodatel from time to time and from the GEM website at www.hkgem.com. According to the latest annual report of Vodatel, as at 30 June 2003, Mr. Jose Manuel dos Santos and Eve Resources Limited were both interested or deemed to be interested in more than one-third of the then issued share capital of Vodatel.

3. Culturecom is deemed, by virtue of the SFO, to be interested in the convertible notes held by Go Capital Limited as Go Capital Limited is a direct wholly-owned subsidiary of Culturecom Investments Limited which is a direct wholly-owned subsidiary of Culturecom Holdings (BVI) Limited, a direct wholly-owned subsidiary of Culturecom. Culturecom is a company incorporated in Bermuda whose shares are listed on the Main Board (Stock code 343). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Culturecom or in accordance with whose directions or instructions Culturecom or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Culturecom is interested under the SFO will be deemed to be interested in the convertible notes which Culturecom is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Culturecom can be found in the information published by Culturecom from time to time and from the website of the Stock Exchange at www.hkex.com.hk. According to the latest annual report of Culturecom, as at 31 March 2003, no person was interested or deemed to be interested in more than one-third of the then issued share capital of Culturecom.
4. Mr. Chan How Chung, Victor is deemed, by virtue of the SFO, to be interested in the convertible notes held by Universal Line Venture Limited as Universal Line Venture Limited is directly wholly owned by Mr. Chan How Chung, Victor.
5. This assumes full conversion of the convertible notes at HK\$0.078 per Share based on the total number of 440,000,000 Shares in issue as at the date of this announcement. The conversion price of the convertible notes may change from time to time.
6. During the period ended 30 September 2003, neither Vodatel Information Limited, Go Capital Limited or Universal Line Venture Limited has converted, in part or in whole, its convertible notes into Shares.

Short positions in underlying Shares of equity derivatives

Name	Capacity	Number and description of equity derivatives	Number of underlying Shares	Percentage of issued Share Capital
Silicon	(Note)	(Note)	1,400,000	0.32%

Note: Pursuant to an option agreement dated 28 March 2002, Silicon granted an option to OUB.com Pte Ltd pursuant to which OUB.com Pte Ltd may purchase 1,400,000 Shares from Silicon at a price of HK\$0.103 per share (as adjusted in accordance with terms of the agreement). The option is exercisable for the period from 9 November 2003 to 4 August 2004.

Save as disclosed above, as at the date of this announcement, the Directors are not aware of any shareholder who has directly or indirectly, an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or any options in respect of such capital.

SHARE OPTIONS RULE

The Company adopted a share option scheme (the "Share Option Scheme") and the Pre-IPO Share Option Scheme on 27 March 2003. The summary of the principal terms of the Share Option Scheme and Pre-IPO Scheme are set out in Appendix IV of the Prospectus under the section headed "Share Option Scheme" and "Pre-IPO Share Option Scheme". No share options under the Share Option Scheme were granted up to 30 September 2003.

Pursuant to the Pre-IPO Share Option Scheme, certain Directors and participants have been granted options to subscribe for shares. Details of the share options outstanding as at 30 September 2003 which have been granted under the Pre-IPO Share Option Scheme are set out as below:

Number of Share Options										
Name	Date of grant	Outstanding as at 1 April 2003	Granted during the period under review	Exercised during the period under review	Lapsed during the period under review	Outstanding as at 30 September 2003	Approximate percentage of issued share capital	Option Period	Consideration for the grant of the option HK\$	Exercise price per share HK\$
Executive Directors										
Chan Chung	27 March 2003	300,000	–	–	–	300,000	0.068%	9 May 2004 – 8 May 2014	1.00	0.103
Chan Wai Kwong, Peter	27 March 2003	100,000	–	–	–	100,000	0.023%	9 May 2004 – 8 May 2014	1.00	0.103
Other Participants										
Employees in aggregate (Note)	27 March 2003	1,830,000	–	–	(750,000)	1,080,000	0.245%	9 May 2004 – 8 May 2014	1.00	0.103
Business Consultant										
Young Antony, Michael	27 March 2003	300,000	–	–	–	300,000	0.068%	9 May 2004 – 8 May 2014	1.00	0.114
		<u>2,530,000</u>	<u>–</u>	<u>–</u>	<u>(750,000)</u>	<u>1,780,000</u>	<u>0.404%</u>			

Note: Employees working under employment contracts that were regarded as "continuous contracts" for the purpose of the Employment Ordinance (Chapter 57 of the laws of Hong Kong).

Save as disclosed above, no options pursuant to the Pre-IPO Scheme have been exercised and cancelled during the period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 September 2003, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

SPONSOR'S INTEREST

Pursuant to a sponsor agreement dated 30 April 2003 entered into between the Company and Kim Eng Capital (Hong Kong) Limited ("Kim Eng") and REXCAPITAL Hong Kong Limited ("RexCapital"), Kim Eng and RexCapital have received and will receive fees for acting as the Company's retained sponsors for the period up to 31 March 2006.

Universal Line Venture Limited is directly wholly owned by Mr. Chan How Chung, Victor. Mr. Chan How Chung, Victor is a director of RexCapital and also the chairman, executive director and a substantial shareholder of REXCAPITAL International Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the Main Board of Stock Exchange. RexCapital is an indirect wholly-owned subsidiary of REXCAPITAL International Holdings Limited.

Mr. Chan Wai Kwong, Peter, an initial management shareholder of the Company and a Director, is an executive director of REXCAPITAL International Holdings Limited.

Save as disclosed above, as at 30 September 2003, neither Kim Eng and RexCapital nor their directors, employees or their respective associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company or its subsidiaries, including options or rights to subscribe for such Shares, pursuant to Rules 6.36 and 18.63 of the GEM Listing Rules.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period under review, none of the Directors or the management shareholders or substantial shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

COMPLIANCE WITH RULES 5.28 TO 5.39 (SAVE AS RULE 5.30) OF THE GEM LISTING RULES

The Company has complied throughout the period of six months ended 30 September 2003 the minimum standards of good practice concerning the general management responsibilities of the Directors as set out in Rules 5.28 to 5.39 (save as Rule 5.30 which is not applicable for the period under review) of the GEM Listing Rules.

AUDIT COMMITTEE

As required by Rules 5.23 to 5.25 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. Its principal duties are to review and supervise the Group's financial reporting process and internal control systems. The Group's unaudited results for the six months ended 30 September 2003 have been reviewed by the audit committee of the Company, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

By Order of the Board
Chan Chung
 Chairman

Hong Kong, 6 November 2003