

Mobile Telecom Network (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)



03

Third Quarterly Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of this report.

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 is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ("Three-Month Period") and nine months ("Nine-Month Period") ended 31 December 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 Nine Months Ended 31 December 2003

	Note	Three months ended 31 December		Nine months ended 31 December	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	3,320	649	6,656	3,362
Other revenue		14	8	258	13
Materials and equipment		(1,999)	(307)	(4,094)	(987)
Employment costs		(1,453)	(664)	(3,919)	(2,160)
Research and development expenses		(253)	(624)	(1,114)	(1,810)
Depreciation of fixed assets		(419)	(631)	(1,496)	(1,897)
Other operating expenses		(1,034)	(1,146)	(2,606)	(3,170)
Loss from operations		(1,824)	(2,715)	(6,315)	(6,649)
Finance costs		(16)	(16)	(48)	(36)
Loss before taxation		(1,840)	(2,731)	(6,363)	(6,685)
Taxation	3	(48)	—	(60)	—
Loss after taxation		(1,888)	(2,731)	(6,423)	(6,685)
Minority interests		(14)	—	(60)	—
Loss attributable to shareholders		(1,902)	(2,731)	(6,483)	(6,685)
Loss per share — basic	4	0.43 cent	0.84 cent	1.53 cents	2.05 cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the Nine Months Ended 31 December 2003*

	Unaudited							Total HK\$'000
	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	
At 1 April 2003	5,323	38,587	16,375	2,943	(3,410)	664	(60,372)	110
Translation adjustments	-	-	-	-	-	(103)	-	(103)
Capitalisation issue	20,351	(20,351)	-	-	-	-	-	-
Issue of shares	8,646	24,420	-	-	-	-	-	33,066
Share issue expenses	-	(7,353)	-	-	3,410	-	-	(3,943)
Acquisition of a subsidiary	-	-	189	-	-	-	-	189
Loss for the period	-	-	-	-	-	-	(6,483)	(6,483)
At 31 December 2003	34,320	35,303	16,564	2,943	-	561	(66,855)	22,836
At 1 April 2002	5,310	38,587	16,375	2,943	-	631	(51,622)	12,224
Translation adjustments	-	-	-	-	-	19	-	19
Issue of shares	13	-	-	-	-	-	-	13
Loss for the period	-	-	-	-	-	-	(6,685)	(6,685)
At 31 December 2002	5,323	38,587	16,375	2,943	-	650	(58,307)	5,571

Notes:

1. Basis of preparation

The Company was incorporated in the Cayman Islands on 25 May 2000 as an exempted company with limited liabilities under the Company Law (Revised) of the Cayman Islands. The Company's shares were listed on GEM on 9 May 2003.

The unaudited condensed consolidated accounts are prepared under the historical cost convention, in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

The accounting policies and methods of computation used in the preparation of these quarterly accounts are consistent with those used in preparation of the Group's annual accounts for the year ended 31 March 2003, except that the Group has adopted the new and revised Hong Kong Statements of Standard Accounting Practice ("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.

2. Turnover

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 31 December		Unaudited Nine months ended 31 December	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Sales of MobileSurf-installed pocket personal computers and computer accessories	47	174	465	454
Subscription fees from provision of MobileSurf service	10	22	35	86
Service fees from provision of mobile data solutions and related services	3,127	—	5,949	1,354
Fees for development of customised software	136	383	136	1,348
Fees for provision of mobile messaging service	—	70	71	120
	3,320	649	6,656	3,362

3. Taxation

No provision for Hong Kong profits tax has been made in the accounts, as the Group had no estimated assessable profits arising in or derived from Hong Kong for the periods under review (2002: Nil).

No provision for overseas (the PRC, Singapore, Taiwan and the USA) income taxes has been made as the Group was operating at losses in these countries for the periods under review (2002: Nil).

Taxation in the unaudited condensed consolidated profit and loss account represents the withholding taxes which have been calculated at the rates of tax prevailing in the areas in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

There was no material unprovided deferred taxation for the periods under review (2002: Nil).

4. Loss per share

The calculation of the basic loss per share for the Three-Month Period and Nine-Month Period is based on the unaudited net loss attributable to shareholders for the Three-Month Period and Nine-Month Period ended 31 December 2003 of approximately HK\$1,902,000 and HK\$6,483,000 (2002: HK\$2,731,000 and HK\$6,685,000) and on the weighted average number of approximately 440,000,000 shares and 424,800,000 shares in issue for the Three-Month Period and Nine-Month Period ended 31 December 2003 (2002: 325,936,000 shares and 325,889,000 shares).

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

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Nine-Month Period ended 31 December 2003 (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS**Financial Review**

2003 was a challenging year for Hong Kong. However, the Group's unaudited consolidated turnover for the Three-Month Period and the Nine-Month Period ended 31 December 2003 surged significantly to approximately HK\$3,320,000 and HK\$6,656,000, representing an increase of approximately 412% and 98% respectively over the corresponding periods last year. As such, loss per share narrowed to HK\$0.43 cent and HK\$1.53 cents representing significant reductions of approximately 49% and 25% respectively compared to the corresponding periods last year.

During the periods under review, service fees from the provision of mobile data solutions and related services continued to be the major contributor to the Group's income, accounting for 94% and 89% of the Group's unaudited consolidated turnover and recording a progressive growth of HK\$3,127,000 and HK\$4,595,000 respectively as compared to the corresponding Three-Month Period and Nine-Month Period in 2002.

Business Review

The mobile entertainment business continues to experience steady growth in the Asia Pacific region and operators are recognising the value of the data driven business in which the Group operates. The Group launched two new customer projects with Mobile One, the second largest telecoms operator in Singapore, and with Kyocera, also in Singapore, in the Three-Month Period ended 31 December 2003. With these two latest additions to its portfolio, the Group is able to provide value-added services to more than 75% of Singapore's mobile phone users.

Demand for rich and diverse content is growing as data-enabled handsets become readily available and service quality improves. In 2003, only 7% of Hong Kong mobile phone users used their mobile phones for data transactions, but this figure is expected to reach about 15% by the end of 2004. Multimedia message service ("MMS") traffic is also increasing in the region showing that the learning curve for usage is very steep.

The Group continues to operate in more developed markets in the region with Australia, Hong Kong, Singapore, Malaysia and Taiwan being its key focus markets. The Group persists in the development of services such as Java based sporting and information channels, localised music and picture content and gaming services, which cater for these markets and strengthen its portfolio enabling it to increase market share.

The mobile content business is in the middle of its transition from traditional, low level services to rich content services, which will create higher entry barriers for "new players" to enter the mobile content business where the Group is already well established. The Group is able to help these companies enter the business by providing them with the opportunity to join its comprehensive distribution network.

Prospects

2004 looks promising for the entire business based on positive developments in Europe and the growing and enriched content, which will create even higher natural demand for the services provided and produced by the Group. 3G was launched in Hong Kong in January 2004 and it is also expected to be introduced soon in Singapore, Australia and Taiwan. The Group is ideally positioned to benefit from this development, as the Group is currently one of the largest 3G content providers to operators in Hong Kong.

At present, the Group covers a total of some 30 telecoms operators in 11 countries in the Asia Pacific region. This number is expected to increase steadily in regions such as Thailand, the Philippines and Indonesia. The scale in terms of both quantity of content and operators remains the Group's strongest differentiation point.

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

As at 31 December 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
Mr. Chan Chung	(Note)	180,265,861	41.0%
Mr. 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 positions 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\$
Mr. Chan Chung (Note)	Beneficial owner	27 March 2003	300,000	0.068%	9 May 2004 – 8 May 2014	1.00	0.103
Mr. 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
Mr. 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 report, 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 THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 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 shareholders	Capacity	Number of Shares held	Approximate percentage of the issued share capital
Silicon	Beneficial owner	180,265,861	41.0%
Mr. 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 ("Culturecom")	(Note 3)	31,902,233	7.3%
Universal Line Venture Limited	Beneficial owner	31,902,233	7.3%
Mr. 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 quarterly report of Vodatel, as at 30 September 2003, Mr. José 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 interim report of Culturecom, as at 30 September 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 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.
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 any 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 positions 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
			0.78%		

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%
Mr. 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 quarterly report of Vodatel, as at 30 September 2003, Mr. José 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.
- 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 of 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 interim report of Culturecom, as at 30 September 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 report. The conversion price of the convertible notes may change from time to time.
6. During the period ended 31 December 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 report, 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

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 Share Option Scheme are set out in Appendix IV of the Company's prospectus dated 30 April 2003 under the sections headed "Share Option Scheme" and "Pre-IPO Share Option Scheme". No share options under the Share Option Scheme were granted up to 31 December 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 31 December 2003 which have been granted under the Pre-IPO Share Option Scheme are set out as below:

Name	Date of grant	Number of share options				Outstanding as at 31 December 2003	Approximate percentage of issued share capital	Option period	Consideration for the grant of the option HK\$	Exercise price per Share HK\$
		Outstanding as at 1 April 2003	Granted during the period under review	Exercised during the period under review	Lapsed during the period under review					
Executive Directors										
Mr. Chan Chung	27 March 2003	300,000	–	–	–	300,000	0.068%	9 May 2004- 8 May 2014	1.00	0.103
Mr. 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	1,618,334	–	–	(585,000)	1,033,334	0.235%	9 May 2004- 8 May 2014	1.00	0.103
	27 March 2003	156,668	–	–	(133,334)	23,334	0.005%	9 May 2005- 8 May 2015	1.00	0.103
	27 March 2003	54,998	–	–	(31,666)	23,332	0.005%	9 May 2006- 8 May 2016	1.00	0.103
Business Consultant										
Mr. Young Antony, Michael	27 March 2003	100,000	–	–	–	100,000	0.023%	9 May 2004- 8 May 2014	1.00	0.114
	27 March 2003	100,000	–	–	–	100,000	0.023%	9 May 2005- 8 May 2015	1.00	0.114
	27 March 2003	100,000	–	–	–	100,000	0.023%	9 May 2006- 8 May 2016	1.00	0.114
		<u>2,530,000</u>	<u>–</u>	<u>–</u>	<u>(750,000)</u>	<u>1,780,000</u>	<u>0.405%</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 Share Option Scheme have been exercised and cancelled during the periods under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the Nine-Month Period ended 31 December 2003, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed shares.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

During the periods 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 Nine-Month Period ended 31 December 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 periods under review) of the GEM Listing Rules.

SPONSORS' 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 the 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 31 December 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.

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 Nine-Month Period ended 31 December 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, 9 February 2004