



Mobile Telecom Network (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

2004
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 (the “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 2004, together with the unaudited comparative figures for the corresponding periods in 2003 as follows:

UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three months and six months ended 30 September 2004

	Notes	Three months ended 30 September		Six months ended 30 September	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	5,139	2,736	10,602	3,336
Other revenue		9	70	83	244
Telecom operators costs		(3,399)	—	(7,254)	—
Materials and equipment		—	(1,787)	—	(2,095)
Employment costs		(1,389)	(1,320)	(2,839)	(2,466)
Research and development expenses		(270)	(427)	(561)	(861)
Depreciation of fixed assets		(62)	(521)	(182)	(1,077)
Other operating expenses		(966)	(1,039)	(1,991)	(1,572)
Loss from operations	3	(938)	(2,288)	(2,142)	(4,491)
Finance costs	4	(18)	(15)	(35)	(32)
Loss before taxation		(956)	(2,303)	(2,177)	(4,523)
Taxation	5	—	(12)	—	(12)
Loss after taxation		(956)	(2,315)	(2,177)	(4,535)
Minority interests		(190)	(46)	(216)	(46)
Loss attributable to shareholders		(1,146)	(2,361)	(2,393)	(4,581)
Loss per share — basic	6	0.26 cents	0.56 cents	0.54 cents	1.10 cents

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 September and 31 March 2004

	<i>Notes</i>	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
Non-current assets			
Fixed assets		166	348
Investment in an associate	7	5,326	—
		5,492	348
Current assets			
Trade receivables	8	3,253	1,936
Deposits, prepayments and other current assets		1,171	1,266
Bank balances and cash		19,840	27,002
		24,264	30,204
Current liabilities			
Trade payables	9	1,742	744
Accruals and other payables		4,105	3,979
Customer deposits and receipts in advance		9	30
		5,856	4,753
Net current assets		18,408	25,451
Total assets less current liabilities		23,900	25,799
Financed by:			
Share capital	10	34,530	34,320
Reserves		(16,089)	(13,764)
Shareholders' equity		18,441	20,556
Non-current liabilities			
Minority interests		459	243
Convertible notes	11	5,000	5,000
		23,900	25,799

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2004

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 2004	34,320	35,303	16,375	2,943	—	531	(68,916)	20,556
Translation adjustments	—	—	—	—	—	68	—	68
Capitalisation issue	—	—	—	—	—	—	—	—
Issue of shares	210	—	—	—	—	—	—	210
Share issue expenses	—	—	—	—	—	—	—	—
Loss for the period	—	—	—	—	—	—	(2,393)	(2,393)
At 30 September 2004	<u>34,530</u>	<u>35,303</u>	<u>16,375</u>	<u>2,943</u>	<u>—</u>	<u>599</u>	<u>(71,309)</u>	<u>18,441</u>
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	<u>34,320</u>	<u>35,303</u>	<u>16,375</u>	<u>2,943</u>	<u>—</u>	<u>567</u>	<u>(64,953)</u>	<u>24,555</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2004

	Unaudited	
	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(2,117)	(4,988)
Net cash (outflow)/inflow from investing activities	(5,322)	196
Net cash inflow from financing activities	210	30,123
(Decrease)/increase in cash and cash equivalents	(7,229)	25,331
Cash and cash equivalents at 1 April	27,002	3,620
Effect of foreign exchange rate changes *	67	(97)
Cash and cash equivalents at 30 September	<u>19,840</u>	<u>28,854</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<u>19,840</u>	<u>28,854</u>

* consistency of accounting treatment

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 2004 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 2004, except that the Group has adopted the new and revised SSAPs which became effective on or after 1 January 2004. The adoption of 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	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Sales of MobileSurf-installed pocket personal computers and computer accessories	—	278	—	418
Subscription fees from provision of MobileSurf service	1	11	7	25
Service fees from provision of mobile data solutions and related services	5,138	2,424	10,595	2,822
Fees for provision of mobile messaging service	—	23	—	71
	5,139	2,736	10,602	3,336

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 2004								
	The People's Hong Kong/ Macau <i>HK\$'000</i>	Republic of China (the "PRC") <i>HK\$'000</i>	Australia <i>HK\$'000</i>	Malaysia <i>HK\$'000</i>	Singapore <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Others** <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover *	2,708	—	5,405	619	493	734	643	10,602
Segment results	(4,034)	—	2,054	186	52	102	160	(1,480)
Unallocated costs								(662)
Loss from operations								(2,142)
Finance costs								(35)
Loss before taxation								(2,177)
Taxation								—
Loss after taxation								(2,177)
Minority interests								(216)
Loss attributable to shareholders								(2,393)

Unaudited
Six months ended 30 September 2003

	The Hong Kong/ Macau	People's Republic (the "PRC")	Australia	Malaysia	Singapore	Taiwan	Others **	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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>	(3,366)
Unallocated costs								<u>(1,125)</u>
Loss from operations								(4,491)
Finance costs								<u>(32)</u>
Loss before taxation								(4,523)
Taxation								<u>(12)</u>
Loss after taxation								(4,535)
Minority interests								<u>(46)</u>
Loss attributable to shareholders								<u>(4,581)</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"), Thailand and South Africa.

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	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of goodwill	—	8	—	8
Depreciation:				
Owned assets	62	517	182	1,073
Leased assets	—	4	—	4
Loss on disposal of subsidiary	—	—	68	—
Operating lease rentals of premises and facilities	130	256	336	471
Provision for doubtful debts	—	54	—	57
Staff costs (including directors' emoluments and staff redundancy cost), including amount classified as research and development expenses	1,389	1,747	2,839	3,327
	<u>1,389</u>	<u>1,747</u>	<u>2,839</u>	<u>3,327</u>

4. Finance costs

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest and charges	6	2	10	7
Interest expenses — others	12	13	25	25
	<u>18</u>	<u>15</u>	<u>35</u>	<u>32</u>

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 2004 and 30 September 2003.

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 2004 and 30 September 2003.

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 2004 of approximately HK\$2,393,000 (2003: HK\$4,581,000) and on the weighted average number of approximately 440,502,164 shares in issue for the six months ended 30 September 2004 (2003: 417,158,470 shares).

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

7. Interest in an associate

In September 2004, the Group acquired a 40% interest in a company established in the PRC for an aggregate purchase consideration of HK\$5,325,600. The principal business of the associate is the provision of mobile platform solutions to local operators. The associate has a strong research and development team possessing unsurpassed strength in mobile platforms application development and has long-term solid relationship with customers in Guangdong Province of the PRC. Accordingly, the excess of the cost of acquisition of the associate over the Group's share of the net assets of the associate was principally reflected as goodwill arising on acquisition. The aforementioned goodwill will be amortised on the straight-line basis over 10 years from October 2004 and will give rise to an annual amortisation charge of approximately HK\$525,000.

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

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
Share of net assets, other than goodwill	76	—
Unamortised goodwill	<u>5,250</u>	<u>—</u>
	<u>5,326</u>	<u>—</u>

8. Trade receivables

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

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
0 to 30 days	1,234	741
31 to 60 days	699	532
61 to 90 days	201	232
91 to 180 days	365	640
Over 180 days	<u>962</u>	<u>454</u>
	3,461	2,599
Less: Provision for bad and doubtful debts	<u>(208)</u>	<u>(663)</u>
	<u>3,253</u>	<u>1,936</u>

9. Trade payables

Aging analysis of trade payables is as follows:

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
0 to 30 days	420	159
31 to 60 days	148	168
61 to 90 days	143	121
Over 90 days	<u>1,031</u>	<u>296</u>
	<u>1,742</u>	<u>744</u>

10. Share Capital

	Authorised			
	30 September 2004		31 March 2004	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised ordinary shares of US\$0.01 each	<u>2,000,000</u>	<u>156,000</u>	<u>2,000,000</u>	<u>156,000</u>
	Issued and fully paid			
	30 September 2004		31 March 2004	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
At 1 April 2004 and 2003	440,000	34,320	69,092	5,323
Issue of shares upon exercise of share options (<i>note (i)</i>)	2,042	210	—	66
Issue of shares	—	—	370,908	28,931
At 30 September 2004 and 31 March 2004	<u>442,042</u>	<u>34,530</u>	<u>440,000</u>	<u>34,320</u>

- (i) On 17 August 2004, OUB.com Pte Ltd, exercised its share options and subscribed for 2,042,133 shares of HK\$0.103 each for cash of approximately HK\$210,339. UOB is deemed, by virtue of the SFO, to be interested in the 2,042,133 Shares to be held by OUB.com Pte Ltd as OUB.com Pte Ltd is a direct wholly-owned subsidiary of UOB.

11. Convertible notes

The Group's convertible notes were repayable as follows:

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
Within one year	3,600	—
In the second year	1,400	3,600
In the third to fifth year	—	1,400
	<u>5,000</u>	<u>5,000</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

The Groups recorded a remarkable growth in turnover for the six months ended 30 September 2004 ("period under review") amounting to HK\$10,602,000, representing a surge of approximately 218% over the turnover of the corresponding period in 2003. The improvement is mainly due to the fast growing of mobile entertainment business in the Asia Pacific region. As such, the loss per share for the period under review was HK0.54 cents (six months ended 30 September 2003: HK1.10 cents), a significant narrowing of approximately 51% as compared with that of the corresponding period in 2003.

Compared with the corresponding period in 2003, the aggregate operating expenses for the period under review increased by HK\$4,756,000 to HK\$12,827,000, an approximately 59% increase over the corresponding period in 2003. As such, both turnover and operating expenses increased. The resultant loss from operations for the period under review amounted to HK\$2,393,000 (corresponding period in 2003: approximately to HK\$4,581,000).

Among the different markets in the region, Australia was the main revenue contributors, accounting for 51% of the Group's turnover, while Hong Kong, Malaysia, Singapore, Taiwan and other Asia countries brought in 26%, 6%, 5% , 7% and 5% respectively.

Business Review

The mobile entertainment industry continues to experience steady growth in the Asia Pacific region. The Group is focused on enhancing the value of the mobile data driven business in order to position as a key value driver of the mobile entertainment business. The mobile data industry continues its move towards multimedia technologies, which make rich content development and distribution our Group's highest growth areas. The multimedia products and services create radically new end-user experience and business models.

3G launches are happening within next 3-6 months in Taiwan, Singapore, Malaysia and Australia. The mobile entertainment segment is moving fast towards with richer and user-friendlier content experience delivering real value for the subscribers. The Group has confirmed several strategic alliances with key service providers to fulfill the needs of the operators to introduce new services in the markets. The Group continues its positioning between the telecom operators and the content owners, enabling business for all the parties involved.

3G subscribers are proven to be high-end customers, who have the highest Average Revenue Per User (ARPU) level and heavy users of the services provided by the Group. When the user base is starting to reach a critical mass, this will have positive impact on the Group's earnings and operating margin. The Group is in a unique position when it comes to our regional presence and our large distribution network across Greater China and the Asia Pacific region.

By focusing on the 3G services, the Group built on its existing 2G and 2.5G businesses of downloading, infotainment, and entertainment areas. The Group has been launching several new services with the key operators in various markets. These services included the Euro 2004 mobile services in Singapore, Hong Kong and Macau; Olympics mobile services in Singapore and Hong Kong; mobile comic channel in Singapore, 3G services in Australia and more than 10 various multimedia services on video streaming or downloading capabilities under 2.5G, 2.75G and 3G in Hong Kong and Taiwan market. The Group has a very strong position especially in the sport and multimedia services for mobile users across the region through key partnerships with the leading global news agencies.

The growth experienced by the Group in the year 2004 should hopefully continue steadily in 2005.

PROSPECTS

The Group is in the process of building up an Asian wide Chinese community for the overseas Chinese people. This is done through its own brand identity, the "Dock-M". The Dock-M mobile entertainment portal with Chinese focus is going to be launched in Australia, New Zealand, Malaysia, Thailand, Philippines and Singapore.

Current projection indicates that more and more 3G services will be launched starting the forth quarter of year 2004 and rest of year 2005 by various operators in Hong Kong, Taiwan, Singapore, Malaysia and Australia. 3G trials in the PRC are also expected sometimes in 2005. The Group has formed an associate in GuangDong PRC by acquiring a 40% equity in 廣州匯港軟件技術有限公司 to position in the PRC market. 廣州匯港軟件技術有限公司 has performed various technical services with China Mobile, the largest mobile operator in China. The Group expects to enter the mobile multimedia market in the PRC by proposing products and services to China Mobile.

The group plans also to expand its business operation towards the IVR business, which has extremely strong foothold as content download channel across Asia Pacific region. The European market will also be explored through partnerships with key services providers there. Since the operating expenses are significant higher in Europe due to the higher cost of living and the strong Euro, the Group will try to enter that market via business partnerships rather than direct investments at this time.

The Group will also start providing the leading operators in Hong Kong, Taiwan, Singapore, Malaysia and Australia with the quality sport services through various platforms (SMS, WAP, MMS, JAVA). These sport services include Football, Tennis, NBA Basketball, Golf, etc. In addition, the Group will be focusing to aggregate with more branded content for Asia Pacific mobile distribution.

At present, the Group covers a total of over 30 telecom operators and portals in 13 markets 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 quantity and quality in terms of content remains the Group's strongest differentiation point from its main competitors in the region.

Research and Development

As Hutchison Telecom has launched the third generation mobile service in January 2004, the Group has extended in parallel its Mobilesurf platform into video streaming and download capabilities on various mobile handsets. This is a significant development that allows our platform to deliver our content and services across 2.5G, 2.75G, and 3G networks. As third-generation wireless technologies come closer to the everyday life of users, the Group believes services that

provide interactive communication and multimedia applications will be the trends for the coming years. The Group is currently focusing the deployment of such new communication concepts combining multiple-party interactivity of instant messaging with multimedia services on mobile devices.

The Group is pleased to announce that a patent entitled “System to support mobile visual communications” (Patent Number US 6,760,759) was issued on 6 July 2004 by the United States to MTel Limited. This patent further affirmed the Group as a leader in the multimedia visual communication industry. Another patent entitled “Using existing wireless infrastructures for the global information network” (Taiwan patent number 188,932) was also issued to the Group in this period. This patent protects the intellectual property of our GloDan services connection in Asia Pacific and potentially scale to the world.

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 3G services with Hutchison Telecom and other video services in 2.5G and 2.75G networks. In addition, the Group is now deploying more value-added services with operators’ sales channels in Australia, New Zealand, Singapore, Thailand and Taiwan. The Group’s sales network now covers 13 markets 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 more than 15 multimedia services since February 2004. The Group further extended applications into two areas: 1) deploying the interactive features on our Mobilesurf platform ; and 2) providing an user-friendly interface of connecting with a variety of branded content that centralizing its Mobilesurf platform as a major hub between network operators and content providers across Asia Pacific region.

The Group plans to deploy more JAVA applications with a variety of content, e.g. Daily Bulletin applications for 2.5G and co-operated with various handset manufacturers. With these built-in applications, users can browse all LIVE news and reports including betting information, breaking news, local news, international news, weather and air pollution, and traffic conditions once they purchase the handsets.

The Group is also focusing in to the various carefully selected customer segments in its markets. These segments include for example overseas Chinese community as well as sport fans community. The Group has developed tailor made products and services to these target segments and is rolling them out according to the roadmap agreed with local operators. Product segment thinking enables the Group to roll out its services across the countries with high pace and healthy margins.

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 and 3G mobile users. In Hong Kong, 4 out of 6 operators including Hutchison, CSL, Peoples, and SmarTone have totally outsourced their movie channels to MTel Limited for the overall service operation. In addition, the response rate of content browsing is increasing rapidly during the coming 3 months. The Group believes the business model of this channel will change as advertisement media may become a potential revenue driver once the mobile market is being explored with a significant subscriber response rate.

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 2004, the Group had net current assets of approximately HK\$18,408,000 (as at 31 March 2004: approximately HK\$25,451,000), of which approximately HK\$19,840,000 (as at 31 March 2004: approximately to HK\$27,002,000) were in cash and bank balances. 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 0.59 as at 30 September 2004 (as at 31 March 2004: 0.47). The increase was mainly due to increase in trade payables.

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

On 17 August 2004, OUB.com Pte Ltd, exercised its share options and subscribed for 2,042,133 shares of HK\$0.103 each for cash of approximately HK\$210,339. As at 30 September 2004, the Group's net assets were financed by internal resources through share capital and reserves. The equity attributable to shareholders as at 30 September 2004 was approximately HK\$18,441,000 (as at 31 March 2004: HK\$20,556,000)

Material Acquisitions/Disposal and Significant Investments

Apart from the acquisition of 40% interest of 廣州匯港軟件技術有限公司 during the period under review, the Group has no material acquisitions during the period. For details please refer to the section headed "Business Review" above.

Invest China Limited, a wholly owned subsidiary was disposed of in June 2004 with a loss on disposal of HK\$68K.

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

Charges on Group's Assets

As at 30 September 2004, the Group did not have any charges on the Group's assets.

Contingent Liabilities

As at 30 September 2004, the Group did not have any contingent liabilities.

Employee Information

As at 30 September 2004, the Group had a total of 23 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\$3,400,000 during the period under review (2003: approximately to HK\$3,327,000). 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 2004	Actual business progress in respect of the period ended 30 September 2004
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1. Enhancement and development of mobile data products and solutions

MobileSurf	—	To further enhance MobileSurf by improving performance of multimedia components' handling	The Group extended its MobileSurf services in the forms of MMS, XHTML and JAVA Applications on various mobile handsets
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Business Objectives as set out in the Company's Prospectus dated 30 April 2003 (the "Prospectus") from 9 May 2003 to 30 September 2004

Actual business progress in respect of the period ended 30 September 2004

GloDAN	—	Continue to enhance the capabilities of GloDAN to improve operation performance	The Group built and tested the WAP Push mechanism
Secure wireless communication channel	—	Develop the 2nd generation of wireless communication channel	The Group has continuously developed its 2nd generation prototype of wireless communication channel
Wireless multimedia content manager	—	Release the commercial launch prototype of the 1st generation of wireless multimedia content manager	The Group developed its 1st generation of wireless multimedia content manager, a system which is used to deploy multimedia contents through wireless channel
Remote monitoring and controlling system	—	Develop the 2nd generation of remote monitoring and controlling system	The Group deployed SMS and E-mail alert features in the monitoring and controlling system
Mobile office	—	Prototype commercial launch of 1st generation of the mobile office	The Group deployed additional SMS and E-mail alert features for 1st generation of the mobile office

Business Objectives as set out in the Company's Prospectus dated 30 April 2003 (the "Prospectus") from 9 May 2003 to 30 September 2004

Actual business progress in respect of the period ended 30 September 2004

i-building	—	Develop the 1st generation I-building system which monitors and controls computing system in a building	The Group has continuously developed its 1st generation I-building system
2. Upgrading R&D facilities	—	Acquire 3 additional workstations and servers for research and development purpose	The Group has acquired a high level server for research and development purpose
	—	Acquire facilities for the office expansion in Guangdong Province	The Group invest in a 40% minority stake telecommunication-related company in Guangdong, the PRC
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 Jiangsu and Fujian, the PRC	The Group invest in a 40% minority stake telecommunication-related company in Guangdong, the PRC

Business Objectives as set out in the Company's Prospectus dated 30 April 2003 (the "Prospectus") from 9 May 2003 to 30 September 2004

Actual business progress in respect of the period ended 30 September 2004

- | | | |
|--|--|---|
| <p>—</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>—</p> <p>Expand office in Guangdong province, the PRC</p> | <p>For the period under review, the Group has established its presence through the associate company in Guangdong province, the PRC.</p> |

Business Objectives as set out in the Company's Prospectus dated 30 April 2003 (the "Prospectus") from 9 May 2003 to 30 September 2004

Actual business progress in respect of the period ended 30 September 2004

	<ul style="list-style-type: none"> — Established office in Shanghai and Beijing, the PRC 	<p>The Group has hired a part time consultant in Beijing to study the markets in Shanghai and Beijing, the PRC</p>
	<ul style="list-style-type: none"> — Start planning on setting up offices in Hunan and Henan, the PRC 	<p>The Group has worked with a part time consultant who is familiar with the operator in the PRC including Hunan.</p>
	<ul style="list-style-type: none"> — Start feasibility study on setting up sales and technical support offices in Fujian and Jiangsu, the PRC 	<p>The Group has worked with a part time consultant who is familiar with the operator in the PRC.</p>
<p>5. Expansion of sales and marketing network</p>	<ul style="list-style-type: none"> — continue to jointly participate in various seminars and roadshows with business partners 	<p>The Group actively participated in various seminars and roadshows with business partners</p>

Business Objectives as set out in the Company's Prospectus dated 30 April 2003 (the "Prospectus") from 9 May 2003 to 30 September 2004

Actual business progress in respect of the period ended 30 September 2004

- | | | |
|---|---|--|
| — | continue to participate in/ coordinate various seminars, exhibitions and tradeshows to promote and introduce the Group's existing and new services products | The Group participated in various seminars Including 3G launch by 3HK as well as other exhibitions and events including with the HK Productivity Council on promotion of mobile technology and IT education. |
| — | Continue to 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, Europe, South Africa, Singapore, Indonesia and Taiwan. The Group's sales network now covers 10 countries across South East Asia region extending to almost 30 telecommunication operators |
| — | Coordinate with line-up business partners to conduct product presentation and press event to increase awareness of the Group's services | The Group has participated in the Hong Kong ICT Mission to Korea, 20-23 September, 2004 organized by the Hong Kong Trade Development Council |

USE OF PROCEEDS

		From 9 May 2003 (Date of Listing) to 30 September 2004	
	<i>Notes</i>	Proposed HK\$'000	Actual HK\$'000
Enhancement and development of mobile data products and solutions	1	4,740	93
Upgrading research and development facilities	2	450	9
Forming strategic alliances and joint ventures with and investing in telecommunication-related companies	3	6,500	5,516
Establishment of sales and technical support offices in the PRC	1	910	38
Expansion of sales and marketing network	1	870	124
Working capital	1	2,120	380
Total		<u>15,590</u>	<u>6,160</u>

Notes:

- During the period from early March to late June 2003, 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 in that period and as a consequence, the Group adopted a more cautious approach in the planned use of proceeds during the period under review. In particular, the actual amounts used for development of mobile data products and solution, the establishment of offices in the PRC and the expansion of the sales and marketing network, were less than the amount estimated in the prospectus dated 9 May 2003. As the business climate improves recently, the Group plans to resume spending in those areas in the near future.

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 mainly due to acquire 40% equity interest in 廣州匯港軟件技術有限公司 in a consideration in cash of HKD 5,326,000. For details please refer to the note 7.
4. The remaining net proceeds of approximately HK\$19.8 million will be applied according to the usage 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 2004, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 5.46 to 5.68 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	(Note)	176,169,861	39.9%
Chan Wai Kwong, Peter	Beneficial owner	4,064,036	0.9%
		<u>180,233,897</u>	<u>40.8%</u>

Note: By virtue of the SFO, Mr. Chan Chung is deemed to be interested in the 176,169,861 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 2003 — 8 May 2013	1.00	0.103
Chan Wai Kwong, Peter (Note)	Beneficial owner	27 March 2003	100,000	0.023%	9 May 2003 — 8 May 2013	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.

2. 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 May 2004 to 2 February 2005.

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, underlying Shares or debentures 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 5.46 to 5.68 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

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As at 30 September 2004, 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 required to be entered in the register maintained by the Company pursuant to Section 336

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	176,169,861	39.9%
Chan Chung	(Note 1)	176,169,861	39.9%
Vodatel Information Limited	Beneficial owner	63,804,466	14.4%
Vodatel Networks Holdings Limited ("Vodatel")	(Note 2)	63,804,466	14.4%
Go Capital Limited	Beneficial owner	31,902,233	7.2%
Culturecom Holdings Limited ("Culturecom")	(Note 3)	31,902,233	7.2%
OUB.com Pte Ltd	Beneficial owner	27,311,584	6.2%
United Overseas Bank Limited ("UOB")	(Note 4)	27,311,584	6.2%
Lake Haven Limited	Beneficial owner	23,881,144	5.4%
Hutchison Whampoa Limited ("Hutchison Whampoa")	(Note 5)	23,881,144	5.4%
			73.1%

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 176,169,861 Shares held by Silicon.

2. Vodatel is deemed, by virtue of the SFO, to be interested in the 63,804,466 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 63,804,466 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 quarter report of Vodatel, as at 30 June 2004, 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 2004, no person was interested or deemed to be interested in more than one-third of the then issued share capital of Culturecom.
4. UOB is deemed, by virtue of the SFO, to be interested in the 27,311,584 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 27,311,584 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 12 March 2004, no person was interested or deemed to be interested in more than one-third of the then issued share capital of UOB.

5. 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	1,400,000	0.32%	9 May 2004 — 2 February 2005	0.103
UOB	(Note 2)	1,400,000	0.32%	9 May 2004 — 2 February 2005	0.103
			0.32%		

Notes:

1. These share options were granted to OUB.com Pte Ltd by Silicon pursuant to an option agreement dated 28 March 2002.
2. 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 12 March 2004, 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 4)</i>	Approximate percentage of issued share capital
Vodatel Information Limited	Beneficial owner	HK\$3,200,000	41,025,640	9.3%
Vodatel	<i>(Note 2)</i>	HK\$3,200,000	41,025,640	9.3%
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%
				14.5%

Notes:

1. 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. Convertible notes of the Company amounted to HK\$1,600,000 originally issued to Universal Line Venture Limited were disposed of to Vodatel Information Limited on 14 April 2004.
2. 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 quarter report of Vodatel, as at 30 June 2004, 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 2004, no person was interested or deemed to be interested in more than one-third of the then issued share capital of Culturecom.
4. This assumes full conversion of the convertible notes at HK\$0.078 per Share based on the total number of 442,042,133 Shares in issue as at the date of this report. The conversion price of the convertible notes may change from time to time.

5. During the period ended 30 September 2004, neither Vodatel Information Limited and Go Capital 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	<i>(Note)</i>	<i>(Note)</i>	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 May 2004 to 2 February 2005.

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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 required to be entered in the register maintained by the Company pursuant to Section 336 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 the Pre-IPO Share Option Scheme are set out in Appendix IV of the Prospectus dated 30 April 2003 under the sections headed "Share Option Scheme" and "Pre-IPO Share Option Scheme". On 26 April 2004 and 30 August 2004, share options were granted to certain employees to subscribe for 750,000 shares and 192,500 shares of the Company at an exercise price of HK\$0.32 each and the aforesaid share options were exercisable after one year from the date of grant.

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 granted under the Pre-IPO Share Option scheme outstanding as at 30 September 2004 are set out as below:

Name	Date of grant	Number of Share Options						Approximate percentage of issued share capital	Option Period	Consideration for the grant of the option	Exercise price per share
		Out-standing as at 1 April 2004	Granted during the period under review	Exercised during the period under review	Lapsed during the period under review	Outstanding as at 30 September 2003					
Executive Directors											
Chan Chung	27 March 2003	300,000	—	—	—	300,000	0.068%	9 May 2003 — 8 May 2013	1.00	0.103	
Chan Wai Kwong, Peter	27 March 2003	100,000	—	—	—	100,000	0.023%	9 May 2003 — 8 May 2013	1.00	0.103	
Other Participants											
Employees in aggregate (Note)	27 March 2003	1,080,000	942,500	—	(192,500)	1,830,000	0.414%	9 May 2003 — 8 May 2013	1.00	0.103	
Business Consultant											
Young Antony, Michael	27 March 2003	300,000	—	—	—	300,000	0.068%	9 May 2003 — 8 May 2013	1.00	0.114	
		<u>1,780,000</u>	<u>942,500</u>	<u>—</u>	<u>(192,500)</u>	<u>2,530,000</u>	<u>0.573%</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 2004, 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 sponsors' agreement dated 30 April 2003 entered into between the Company and REXCAPITAL (Hong Kong) Limited ("REXCAPITAL"), REXCAPITAL has received fees for acting as the Company's retained sponsors for the period up to 31 July 2004.

On 30 July 2004, due to the departure of major personnel who were responsible for providing advisory services to the Company at REXCAPITAL, the Company and REXCAPITAL have mutually agreed to terminate their sponsors' agreement dated 30 April 2003 with effect from 1 August 2004.

On 14 June 2004, a sponsor agreement has been entered into between the Company and Kingston Corporate Finance Limited ("Kingston") who has received and will receive fees for acting as the Company's retained sponsors for the period from 21 June 2004 to 31 March 2006.

On 13 August 2004, due to the termination of the sponsors' agreement between the Company and REXCAPITAL with effect from 1 August 2004, Kingston who will receive fees for acting the Company's sole sponsor for the period 13 August 2004 to 31 March 2006.

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

Save as disclosed above, as at 30 September 2004, neither REXCAPITAL and Kingston nor their directors, employees or their respective associates (as referred to in Note 3 to Rule 11.04 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 5.35 TO 5.45 OF THE GEM LISTING RULES

The Company has complied throughout the period of six months ended 30 September 2004 the minimum standards of good practice concerning the general management responsibilities of the Directors as set out in Rules 5.35 to 5.45 of the GEM Listing Rules.

AUDIT COMMITTEE

As required by Rules 5.28 to 5.33 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 2004 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.

As at the date of this report, the Board comprises of executive directors namely Mr. Chan Chung (Chairman) and Mr. Chan Wai Kwong, Peter; non-executive directors namely Mr. Chen Man Lung and Mr. Goh Yu Min; and independent non-executive directors namely Mr. Jeffery Matthew Bistrong, Mr. Charles George St. John Reed and Mr. Ko Tak Fai, Desmond.

By Order of the Board

Chan Chung

Chairman

Hong Kong, 11 November 2004