



## **KANHAN TECHNOLOGIES GROUP LIMITED**

**看漢科技集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2003**

The Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (“the Stock Exchange”) 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 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 of Hong Kong Limited takes no responsibility for the contents of this announcement, 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 announcement.

This announcement, for which the directors of KanHan Technologies Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to KanHan Technologies Group Limited. The directors, having made all reasonable enquiries, confirmed that, to the best of their knowledge and belief:- (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

## INTERIM RESULTS (UNAUDITED)

The board (the “Board”) of directors (the “Directors”) of KanHan Technologies Group Limited (the “Company”) would like to report the unaudited consolidated results of the Company and its subsidiaries (together, “the Group”) for the six months period ended 30th June, 2003, together with the comparative figures for the corresponding period in 2002 as follows:–

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

*For the three and six months ended 30th June, 2003*

		Three months ended 30th June,		Six months ended 30th June,	
	NOTES	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	190	348	831	610
Direct costs		<u>(260)</u>	<u>(231)</u>	<u>(513)</u>	<u>(389)</u>
Gross profit		(70)	117	318	221
Other operating income		5	–	44	–
Selling and distribution expenses		(399)	(140)	(542)	(334)
Administrative expenses		<u>(1,907)</u>	<u>(689)</u>	<u>(2,957)</u>	<u>(1,597)</u>
Loss from operations	4	<u>(2,371)</u>	<u>(712)</u>	<u>(3,137)</u>	<u>(1,710)</u>
Finance costs		<u>36</u>	<u>(27)</u>	<u>(4)</u>	<u>(27)</u>
Loss before taxation		<u>(2,335)</u>	<u>(739)</u>	<u>(3,141)</u>	<u>(1,737)</u>
Taxation	5	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net loss for the period		<u><u>(2,335)</u></u>	<u><u>(739)</u></u>	<u><u>(3,141)</u></u>	<u><u>(1,737)</u></u>
Loss per share –					
Basic (Hong Kong Cents)	6	<u><u>0.48cents</u></u>	<u><u>0.29 cents</u></u>	<u><u>0.65cents</u></u>	<u><u>0.42 cents</u></u>

# UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2003

		(Audited)
		31st December,
		2002
	<i>Notes</i>	30th June, 2003
		HK\$'000
		HK\$'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	7	177
Development expenditure	8	3,271
		<u>3,448</u>
<b>CURRENT ASSETS</b>		
Deposit & prepayment		59
Work in progress		345
Trade receivables	9	3,003
Other receivables		69
Amount due from related company		–
Amount due from Shareholders	10	5,019
Bank balances and cash		6,843
		<u>15,338</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	11	201
Deferred income		193
Amount due to directors		300
Amount due to related companies		–
Bank overdrafts, unsecured		–
8% convertible notes		–
Short term borrowings		–
		<u>694</u>
<b>NET CURRENT ASSETS</b>		<u>14,644</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>18,092</u>
<b>NON-CURRENT LIABILITIES</b>		
Financial assistant from government		1,486
3% convertible notes		–
		<u>1,486</u>
		<u>16,606</u>
<b>Financed by:</b>		
<b>SHARE CAPITAL</b>		4,864
<b>RESERVES</b>		
Share premium		14,883
Accumulated losses		(3,141)
		<u>11,742</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>16,606</u>
		<u>3,162</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2003

	Share Capital <i>HK'000</i>	Share Premium <i>HK'000</i>	Accumulated Losses <i>HK'000</i>	Total <i>HK'000</i>
<b>2002</b>				
At 1st January, 2002	–	9,298	(10,758)	(1,460)
Loss for the 6 months ended 30th June, 2002	–	–	(1,737)	(1,737)
	<u>–</u>	<u>–</u>	<u>(1,737)</u>	<u>(1,737)</u>
At 30th June, 2002	<u>–</u>	<u>9,298</u>	<u>(12,495)</u>	<u>(3,197)</u>
<b>2003</b>				
At 1st January, 2003	–	9,298	(7,037)	2,261
Loss for the 6 months ended 30th June, 2003	–	–	(3,141)	(3,141)
Group reorganisation	115	(6,251)	7,037	901
Amount utilized upon capitalization issue Arising from the issuance of shares upon capitalization of loan due to related company	4,085	(4,085)	–	–
Issue of shares	64	1,740	–	1,804
Share placement expenses	600	19,200	–	19,800
	–	(5,019)	–	(5,019)
	<u>–</u>	<u>(5,019)</u>	<u>–</u>	<u>(5,019)</u>
At 30th June, 2003	<u>4,864</u>	<u>14,883</u>	<u>(3,141)</u>	<u>16,606</u>

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2003

	Six months ended 30th June, 2003 <i>HK\$'000</i>	Six months ended 30th June, 2002 <i>HK\$'000</i>
Net cash used in operating activities	(6,435)	(65)
Net cash used in investing activities	(680)	(710)
	<u>(6,435)</u>	<u>(710)</u>
Net cash outflow before financing	(7,115)	(775)
Net cash inflow from financing	13,850	561
	<u>13,850</u>	<u>561</u>
Increase/(Decrease) in cash and cash equivalents	6,735	(214)
Cash and cash equivalents at Beginning of the period	108	322
	<u>108</u>	<u>322</u>
Cash and cash equivalents of end of the period	<u>6,843</u>	<u>108</u>
Analysis of the balances of cash and Cash equivalents:		
Bank balance and cash	<u>6,843</u>	<u>108</u>

## 1. Group Reorganisation and Basis of Preparation of Financial Statements

The Company was incorporated in the Cayman Islands on 10th October, 2002 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands.

Pursuant to a group reorganisation (the “Group Reorganisation”) to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the Growth Enterprise Market (the “GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the companies now comprising the Group on 15th January, 2003. Details of the Group Reorganisation were set out in the prospectus issued by the Company dated 13th February, 2003 (the “Prospectus”).

The shares of the Company were listed on the GEM on 25th February, 2003.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 27 “Accounting for Group Reconstructions” issued by the Hong Kong Society of Accountants.

The accounting policies have been consistently applied by the Company and are consistent with those used in the 2002 annual financial statements except for the changes due to adoption of the new and revised SSAPs which have become effective since 1st January, 2003. The adoption of these revised SSAPs has no material effect on the Group’s results.

The Company is an investment holding company. The principal activity of its principal subsidiaries is provision of communications software platforms.

## 2. Turnover

Turnover comprises revenue from the following activities in the Group’s server-based language technology business:

	Three months ended		Six months ended	
	30th June,		30th June,	
	2003	2002	2003	2002
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Sales of licensed software	152	295	753	553
Software maintenance	33	44	66	43
Software rental and subscription income	5	9	12	14
	<u>190</u>	<u>348</u>	<u>831</u>	<u>610</u>

### 3. Segmental Information

The Group's operations are located in Hong Kong. The Group reports its primary segment information by geographical location of its customers who are principally located in Hong Kong, and the People's Republic of China (the "PRC"). Segment information about these geographical markets is presented below:

#### Geographical segments

	Revenue		Net loss	
	Six months ended 30th June,		Six months ended 30th June,	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC	43	34	16	13
HK	788	576	302	208
	<u>831</u>	<u>610</u>		
Segment Results			318	221
Other revenue			44	–
Unallocated expenses			<u>(3,499)</u>	<u>(1,931)</u>
Loss from operations			<u>(3,137)</u>	<u>(1,710)</u>
Finance cost			<u>(4)</u>	<u>(27)</u>
Net loss for the period			<u><u>(3,141)</u></u>	<u><u>(1,737)</u></u>

### 4. Loss from Operations

Loss from operations has been arrived at after charging:

	Three months		Six months	
	ended 30th June		ended 30th June	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of development expenditure	104	134	209	207
Depreciation	<u>56</u>	<u>15</u>	<u>117</u>	<u>40</u>

### 5. Taxation

No provision for Hong Kong profits tax has been made in the account as the Group had no assessable profits in Hong Kong for the six months period ended 30th June, 2003 (2002: Nil).

### 6. Loss Per Share

The computation of the Group's basic loss per share ("LPS") for the three months ended 30th June, 2003 is based on the Group's loss attributable to shareholders of approximately HK\$2,335,000 (2002: a loss of approximately HK\$739,000) and the weighted average number of 486,432,000 shares (three months ended 30th June, 2002: 254,820,103 shares).

The computation of the Group's basic LPS for the six months period ended 30th June, 2003 is based on the Group's loss attributable to shareholders of approximately HK\$3,141,000 (2002: a loss of approximately HK\$1,737,000) and on the weighted average number of 486,432,000 shares (six months ended 30th June, 2002: 417,263,308 shares).

No diluted loss per share was presented as there were no dilutive potential ordinary shares outstanding.

## 7. Property, Plant and Equipment

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>				
<b>COST</b>				
At 1st January, 2003	3	219	553	775
Additions	–	2	64	66
Disposals	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June, 2003	3	221	617	841
	<hr/>	<hr/>	<hr/>	<hr/>
<b>DEPRECIATION</b>				
At 1st January, 2003	2	105	440	547
Provided for the period	–	22	95	117
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June, 2003	2	127	535	664
	<hr/>	<hr/>	<hr/>	<hr/>
<b>NET BOOK VALUE</b>				
At 30th June, 2003	1	94	82	177
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31st December, 2002	1	114	113	228
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 8. Research and Development Expenditure

	<i>HK\$'000</i>
<b>THE GROUP</b>	
<b>COST</b>	
At 1st January, 2003	3,492
Addition during the period	614
	<hr/>
At 30th June, 2003	4,106
	<hr/>
<b>AMORTISATION</b>	
At 1st January, 2003	626
Provided for the period	209
	<hr/>
At 30th June, 2003	835
	<hr/>
<b>NET BOOK VALUE</b>	
At 30th June, 2003	3,271
	<hr/> <hr/>
At 31st December, 2002	2,866
	<hr/> <hr/>

## 9. Trade Receivables

The Group has a policy of allowing a credit period from 30 to 120 days to its trade customers.

	THE GROUP	
	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
0-30 days	30	3,387
31-60 days	–	4,140
Over 90 days	2,973	204
	<u>3,003</u>	<u>7,731</u>

## 10. Amount due from Shareholders

The amount represented the portion of listing expenses receivable from the vendors of the Sale Shares as set out in the Prospectus. The amount is unsecured, interest-free and has no fixed term of repayment.

## 11. Trade and Other Payables

	THE GROUP	
	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
0-30 days	141	552
31-60 days	44	23
Over 90 days	16	483
	<u>201</u>	<u>1,058</u>

## 12. Dividend

No dividend has been paid or declared by the Company or any of its subsidiaries for the six months period ended 30th June, 2003 and 2002.

## 13. Related Party Transactions

During the period, the Group had transactions with related companies. The transactions with these companies during the period are as follows:

Name of Company	Nature of transactions	Six months ended 30th June,	
		2003 HK\$'000	2002 HK\$'000
Metrolink Holdings Limited	Interest expenses on advances	(22)	29
Timeless Strategy and its affiliate	Interest expenses on convertibles notes	24	–
Timeless Strategy and its affiliate	Sales of licensed software	–	236
Timeless Strategy and its affiliate	Guangzhou office rental expenses	11	15
Yorkshire Capital Ltd.	Consultancy fee	190	120
Yuen & Partners	Legal fee	32	–
Comeasy Communication Ltd.	Quarter rental expenses	240	240
		<u>475</u>	<u>640</u>

The above transactions were carried out in accordance with terms determined and agreed by both parties.

## **MANGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS OF OPERATION**

Revenue for the six months ended 30th June, 2003 amounted to HK\$831,000 (2002: HK\$610,000) representing about 36% increase as compared to that of previous period in 2002. The net loss for the period amounted to approximately HK\$3,141,000 (2002: net loss of approximately HK\$1,737,000) representing an 81% increase than that of the previous period in 2002.

The loss resulted principally from the expenses incurred in the Group's operating, research and development activities.

The total operating expenses of the Group for the period was approximately HK\$3,499,000, which is about 81% increase when comparing to that of the same period last year. This increase was mainly resulted from the increase of professional cost by the Group in business operations to ensure the Group has adequate professional guidance after the successful listing of the Company on GEM of the Stock Exchange on 25th February.

### **BUSINESS DEVELOPMENT**

#### **Sales & Marketing**

The damage triggered by the outspread of SARS during spring this year in the Greater China Region caused casualties and almost froze commercial activities. The turnover of the Group for the three months period ended 30th June, 2003 decreased by almost 45% as compared to the same period in 2002.

The Company tried to turn crisis situation into a marketing opportunity on HanPhone. Sponsored by various government departments and worked with technology partners, the "SARS Info-Line" hotline service was launched in May, providing the community round-the-clock access to the latest SARS related information via the Internet and HanPhone technology.

The launch of our award winning HanPhone and HanVoice products- an innovative product building on the latest text-to-speech (TTS) platform- has become our immediate priority to tackle the perilous economic situations.

#### **Research & Development**

##### **Web-to-phone Technology**

Development on the Group's latest email-to-phone technology has been completed and is entering the final product release stage. By incorporating the above latest technology, users can have easy access to their emails over the phones and reply by simply recording a voice message. Furthermore, users can also select to print to destined facsimile machines.

Given the GPRS network in the huge PRC telecom market, the Group is confident that its email-to-phone technology is a big potential value-added service for both the fixed line and mobile voice network in the PRC. The Group is aggressively looking into possible co-operation opportunities with the PRC's regional telecom operators to provide its latest email-to-phone technology on a profit sharing basis.

## **Future Prospects**

The Group sees tremendous business opportunities in its innovative HanWeb, HanVoice and HanPhone products, which can well be applied in the telecom, music and entertainment or even gaming industries. Building on the advanced TTS conversion platform, the Group is confident that its products can trigger a more versatile, dynamic and powerful information exchange in the near future. The Group will continue its effort in marketing its unique TTS products in the next quarter.

The Group is confident that profitability will experience a better enhancement due to the implementation of a new business strategy and growing customer base in both the PRC and Hong Kong.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

### **Financial resources**

The Group has historically relied on shareholder's loan for its liquidity and capital requirements. Following completion of the Placing, the Group expects the net proceeds raised by the Placing will be sufficient to meet the future operating and capital expenditure cashflow requirements until the operations of the Group become mature and are capable of generating positive cashflows. As of 30th June 2003, the Group had a net cash position of approximately HK\$6,843,000. The Group adopts a conservative treasury policies in cash and financial management. Cash is generally placed in bank, mostly denominated in Hong Kong dollars. The Group's liquidity and financing arrangement are reviewed regularly, and the Group intends to apply the proceeds, from the listing of the Company in GEM in the manner as disclosed in the Prospectus.

### **Capital Structure**

Pursuant to a written resolution of a sole shareholder of the Company held on 15th January, 2003, the authorized share capital of the Company has increased to HK\$20,000,000 divided into 2,000,000,000 shares by the creation of an additional 1,961,000,000 shares to rank pari passu with the existing shares in all respects; and an aggregate of 11,622,500 shares were allotted and issued, credited as fully paid to the then shareholders of KanHan Technologies Inc as a consideration for the Company to acquire 11,622,500 shares of US\$0.01 each in the share capital of KanHan Technologies Inc.

A sum of HK\$1,000 being part of the amount credited to the share premium account of the Company to be applied to pay up in full at par the 100,000 nil paid shares held by Mr. Mo Wai Ming, Lawrence.

60,000,000 shares of HK\$0.01 each were allotted and issued pursuant to the completion of Placing on 25th February, 2003.

On 21st February, 2003, Timeless Strategy Limited, a shareholder of the Company, has converted the whole of the principal amount of HK\$1.8 million under the 3% convertible note issued by KanHan Technologies Inc into 6,432,000 shares of HK\$0.01 each in the Company.

408,377,500 shares of HK\$0.01 each were allotted and issued by way of capitalize HK\$4,083,775 standing to the credit of the share premium account of the Company.

## **RULE 17.15 TO 17.21 OF THE GEM LISTING RULES**

The Directors have confirmed that the Group was not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

## **CONTINGENT LIABILITIES**

As at 30th June, 2003, the group had no material contingent liabilities.

## **EMPLOYEE INFORMATION**

As at 30th June, 2003, the Group had 16 full-time employees. All of the Group companies are equal opportunity employers, with the selection and promotion of individuals being based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis with the general framework of the Group's salary and bonus system which is reviewed annually. Selected benefit programmes including medical coverage and provident funds were also provided. In addition, training and development course were offered throughout the Group to upgrade employee skill and knowledge.

The Group also adopted employee share option scheme to provide the eligible employees a performance incentives for continuous and improved service with the Group and to enhance their contributions to increase profits by encouraging capital accumulation and share ownership.

## **COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS**

### **Business objectives for the review period as set out in the Prospectus**

### **Actual business progress for the review period**

- |                                   |   |
|-----------------------------------|---|
| 1. Product Upgrades               | <ul style="list-style-type: none"><li>– The ASP version of HanWEB has been completed as a result of the completion of the HKSAR Government project to address diverse requirements of various departments</li><li>– Begin to look for ISP partners in Hong Kong to launch HanWEB ASP service for SMEs</li><li>– Successfully launched the HanPhone in May, 2003 through the "SARS Info-line" project</li><li>– Completed development on email-to-phone technology and is in the final product release stage</li></ul> |
| 2. Marketing of HanVoice          | <ul style="list-style-type: none"><li>– Soft launch of HanVoice/HanPhone through the "SAR Info-line" project in May, 2003</li></ul>   |
| 3. Development of HanVoice Server | <ul style="list-style-type: none"><li>– HanVoice and HanPhone have expanded to support multi-vendor text-to-speech technologies, giving customer choice of voices</li></ul>   |

4. General promotion and marketing
  - Most of the scheduled work were cancelled due to the SARS outbreak
  - Plan for opening representative office in Beijing has been postponed to the fourth quarter this year
5. Repayment of Loans
  - All outstanding loans have been paid-off
  - Arrangement was made with Metrolink Holdings Limited to forfeit all interest payment for an immediate settlement of the outstanding loan in April.

## USE OF PROCEEDS

### Use of proceeds from the Company's initial public offering

The proceeds from the Company's issue of new shares at the time of its listing on the GEM of the Stock Exchange on 25th February, 2003, after deduction of the related issue expenses, were applied during the period ended 30th June, 2003 in accordance with the proposed application set out in the Prospectus, as follows:

	<b>Amount extracted from the Prospectus</b> <i>HK\$ million</i>	<b>Actual proceeds being used up to 30th June, 2003</b> <i>HK\$ million</i>
Upgrading the Group's products	2.0	0.6
Marketing and development of Han Voice server	2.0	0.6
General promotion and marketing	6.0	0.9
Repayment of loans	1.6	1.6
Working capital	3.1	–
	14.7	3.7
	14.7	3.7

## DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

As at 25th February, 2003, the date on which the Company's shares were listed on the Stock Exchange, the interests of the directors and their associates in the issued share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), or which are required, pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities in the GEM of the Stock Exchange ("GEM Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Name of directors	No. of shares held	
	Personal interests	Corporate interests
Mr. Mo Wai Ming, Lawrence	180,008,000	—
Ms. Wai Lai Yung	2,512,000	84,072,000*
Mr. Lee Chi Ming	1,432,000	—
Mr. Yuen Ka Lok, Ernest	1,432,000	—

\* These shares are attributable to Ms. Wai Lai Yung in respect of the interest in 3,616,000 shares of Metrolink Holdings Limited ("Metrolink"), interest in 40,432,000 shares of ZMGI Corporation ("ZMGI") and interest in 40,024,000 shares of Golden Nugget Resources Limited ("Golden Nugget").

Save as disclosed above, as of 30th June, 2003, none of the Directors and chief executive or their associates had any interests in any securities in the Company or its associated corporations. None of the Directors, nor their spouses or children under 18 year of age were granted or had exercised any rights to subscribe for the securities of the Company.

## SHARE OPTIONS

As at 30th June, 2003, no share option has been granted by the Company under the share option scheme.

## DIRECTORS' INTERESTS IN CONTRACTS

In the six months period ended 30th June, 2003, the Group has a tenancy agreement with a related company in which Mr. Mo Wai Ming, Lawrence is one of the directors. The rental expenses paid during the period to the related company amounted to HK\$240,000. The Group paid consultancy fee, a total of HK\$190,000 during the six months period ended 30th June, 2003, to a related company in which Ms. Wai Lai Yung is the director. The Company paid legal and secretarial fee, a total of HK\$32,000 during the six months period ended 30th June, 2003, to a law firm in which Mr. Yuen Ka Lok, Ernest is a partner.

Save as disclosed above:

- (i) no contracts of significance subsisted at the end of the period or at any time during the period to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly; and
- (ii) there were no transactions which are required to be disclosed as connected transactions in accordance with the requirements of GEM Listing Rules.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30th June, 2003, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the issued share capital of the Company:

<b>Name</b>	<b>Number of shares</b>	<b>Approximate Percentage of holding</b>
Mr. Mo Wai Ming, Lawrence	180,008,000	37.01%
Ms. Wai Lai Yung	86,584,000*	17.80%

\* These shares are attributable to Ms. Wai Lai Yung in respect of her interest in 3,616,000 shares of Metrolink, interest in 40,432,000 shares of ZMGI, interest in 40,024,000 shares of Golden Nugget and 2,512,000 shares held by her directly.

## **SPONSOR'S INTERESTS**

Pursuant to the agreement dated 13th February, 2003 entered into between the Company and South China Capital Limited ("South China"), South China acts as the Company's continuing sponsor for a period commencing from 25th February, 2003 to 31st December, 2005 and South China received, and will receive, fees for acting as the Company's continuing sponsor.

Neither the sponsor of the Company, South China, nor its directors, employees or associates (as referred to Note 3 of Rule 6.35 of the GEM Listing Rules) had any interest in any class of securities of the Company or any other companies in the Group (including options or rights to subscribe for such securities) as at 30th June, 2003.

## **COMPETING INTERESTS**

The directors believe that none of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competes or may compete with business of the Group.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Save as disclosed under the heading "Share Options" above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Other than in connection with the Company's initial public offering on the GEM, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of its shares on GEM on 25th February, 2003.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## **AUDIT COMMITTEE**

The Company established an audit committee on 24th January, 2003 with written terms of reference in compliance with Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The audit committee comprises Mr. Ho Siu Kau and Mr. Lai Chau Ming, who are the independent non-executive directors of the Company.

The Group's unaudited results for the six months period ended 30th June, 2003 have been reviewed by the audit committee, which was of the opinion that such statements complied with the applicable accounting standards, the Stock exchange and other legal requirements, and that adequate disclosure has been made.

On behalf of the Board  
**Mo Wai Ming, Lawrence**  
*Chairman and Chief Executive Officer*

Hong Kong, 12th August, 2003

*This announcement will remain on the GEM website at "www.hkgem.com" on the "Latest Company Announcements" page for seven days from the day of its posting.*