



## **KANHAN TECHNOLOGIES GROUP LIMITED**

**看漢科技集團有限公司\***

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

**(Stock Code: 8175)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005**

#### **CHARACTERISTIC OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*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.*

\* For identification purposes only

## CHAIRMAN'S STATEMENT

I am pleased to announce the unaudited results of KanHan Technologies Group Limited (the "Company" or "KanHan") and its subsidiaries (together known as the "Group") for the six months ended 30 June 2005.

I like to begin the report by proudly announcing the HanPhone/HanVoice technology of KanHan being selected to represent China in the World Summit Award 2005 ("WSA") competition. "Hear the Web" is the title of our submission to compete in the e-Inclusion category of the WSA. The WSA is a global contest for selecting and promoting the World's best e-contents and applications. It sees the bridging of the Digital Divide and narrowing of the Content Gap as its overall goal and as of today involves representatives from 168 countries on each continent. Putting its focus on cultural identity and diversity, the WSA looks for multimedia projects that effectively and creatively work with quality contents and digitalize educational, scientific and cultural heritage. It is held in the framework of and in cooperation with the World Summit on the Information Society ("WSIS"). The United Nations agency that takes the lead in organizing the Summit is the International Telecommunication Union.

Moreover, KanHan has entered partnership agreement with Yahoo to launch speech enabled applications in its Hong Kong portal extensible to its counterparts in China and Taiwan. The first application was launched on 21 July 2005 in its popular Chinese-English dictionary channel. The HanVoice web-to-speech platform provides real-time pronunciation to the words defined in the dictionary using computer generated text-to-speech technology requiring no special software in users' browser. The WSA nomination and Yahoo applications once again confirm the prowess of HanPhone/HanVoice technology and its leadership in enabling PC browsers and conventional telephones to access dynamic Internet contents in speech format supporting major international languages.

Despite all the accolades and endorsements, we are still slow to turn HanPhone/HanVoice products into solid revenue. We reckon the needs in further expanding our sales network both locally and outside of Hong Kong, and possibly diversifying into other business in order to boost revenue. In addition to entering the subscription based fax over Internet service business in Hong Kong, we have also begun experiment of selling medicines over the Internet to the Chinese market. Coined Pharmanet, the project involves working with a network of China based medical goods importers and distributors to build an e-commerce portal for the sales of the foreign made brand name medicines online. Due to the rampant counterfeiting activities in China domestic market on local made medicines, there is this growing trend of Chinese consumers buying brand name foreign made medicines in their overseas trips especially from Hong Kong. Pharmanet aims to collect and disseminate information on the popular medicines among Chinese consumers and allows them to order directly and to pick up locally in selected major Chinese cities. The Pharmanet portal will feature HanPhone service that China consumers can call local numbers to access the portal for information and to order. A few China based importers have already indicated their interest in participation and have begun to order Hong Kong brand name medicines from KanHan for sales through their present distribution network. They are seeing the benefits of the Pharmanet portal in better serving their customers and in expanding their distribution business.

## 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 25 February 2003, after deduction of the related issue expenses, were applied during the period ended 30 June 2005 in accordance with the proposed application set out in the Prospectus, as follows:

	<b>Proposed amount to be used up to 30 June 2005 as per Prospectus <i>HK\$ million</i></b>	<b>Actual amount used up to 30 June 2005 <i>HK\$ million</i></b>
Upgrading the Group's products	2.0	2.0
Marketing and development of Han Voice server	2.0	2.0
General promotion and marketing	5.3	5.5
Repayment of loans	1.6	1.6
Working capital	3.1	3.6
	<hr/> <b>14.0</b> <hr/>	<hr/> <b>14.7</b> <hr/>

As set out above, the proceeds of approximately HK\$14.7 million from the initial public offering had all been used up to 30 June 2005. The directors consider that the proceeds have been used in areas which are in the Group's ordinary course of business.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

### **Business objectives for the six months ended 30 June 2005 as set out in the Prospectus**

1. Product Upgrades  
Further develop its Japanese and Korean language ASP products

### **Actual business progress**

Development of Japanese and Korean language ASP products were lagged behind due to change in business strategies

## INTERIM RESULTS (UNAUDITED)

The board of directors (the “Board”) 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 three months and six months ended 30 June 2005, together with the comparative figures for the corresponding period in 2004 as follows:–

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2005

		Three months ended 30 June		Six months ended 30 June	
		2005	2004	2005	2004
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3	<b>1,584</b>	699	<b>2,868</b>	2,830
Direct costs		<b>(900)</b>	(443)	<b>(1,383)</b>	(897)
Gross profit		<b>684</b>	256	<b>1,485</b>	1,933
Research and development expenses		<b>(284)</b>	–	<b>(570)</b>	–
Administrative expenses		<b>(1,216)</b>	(1,511)	<b>(2,195)</b>	(2,865)
Selling and distribution expenses		<b>(251)</b>	(505)	<b>(537)</b>	(818)
Loss from operations	5	<b>(1,067)</b>	(1,760)	<b>(1,817)</b>	(1,750)
Taxation	6	–	–	–	–
Loss for the period		<b>(1,067)</b>	(1,760)	<b>(1,817)</b>	(1,750)
Loss per share – Basic	8	<b>0.18 cents</b>	0.36 cents	<b>0.31 cents</b>	0.36 cents

# UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2005

	<i>Notes</i>	<b>30 June 2005</b> <i>HK\$'000</i>	31 December, 2004 <i>HK\$'000</i> (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<u>434</u>	<u>467</u>
<b>CURRENT ASSETS</b>			
Inventories		36	200
Trade and other receivables	9	1,583	1,296
Bank balances and cash		<u>4,194</u>	<u>4,216</u>
		<u>5,813</u>	<u>5,712</u>
<b>CURRENT LIABILITIES</b>			
Financial assistance from government		146	223
Trade and other payables	10	<u>1,611</u>	<u>2,211</u>
		<u>1,757</u>	<u>2,434</u>
<b>NET CURRENT ASSETS</b>		<u>4,056</u>	<u>3,278</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>4,490</u>	<u>3,745</u>
<b>NON-CURRENT LIABILITIES</b>			
Financial assistance from government		<u>1,210</u>	<u>1,196</u>
<b>NET ASSETS</b>		<u><u>3,280</u></u>	<u><u>2,549</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital		7,004	5,837
Reserves		<u>(3,724)</u>	<u>(3,288)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u><u>3,280</u></u>	<u><u>2,549</u></u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2005*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special* reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>2004</b>					
At 1 January 2004	4,864	11,836	10,084	(23,745)	3,039
Loss for the period	—	—	—	(1,750)	(1,750)
	<u>4,864</u>	<u>11,836</u>	<u>10,084</u>	<u>(25,495)</u>	<u>1,289</u>
At 30 June 2004	<u>4,864</u>	<u>11,836</u>	<u>10,084</u>	<u>(25,495)</u>	<u>1,289</u>
	<b>Share capital <i>HK\$'000</i></b>	<b>Share premium <i>HK\$'000</i></b>	<b>Special reserve <i>HK\$'000</i></b>	<b>Accumulated losses <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>2005</b>					
At 1 January 2005	5,837	19,323	10,084	(32,695)	2,549
Issue of shares under the placing	1,167	1,518	—	—	2,685
Share issue expenses	—	(137)	—	—	(137)
Loss for the period	—	—	—	(1,817)	(1,817)
	<u>7,004</u>	<u>20,704</u>	<u>10,084</u>	<u>(34,512)</u>	<u>3,280</u>
At 30 June 2005	<u>7,004</u>	<u>20,704</u>	<u>10,084</u>	<u>(34,512)</u>	<u>3,280</u>

\* The special reserve represents the difference between the nominal amount of shares and share premium of KanHan Technologies Inc. at the date on which it was acquired by the Company and the nominal amount of the Company's shares issued as consideration pursuant to the Group Reorganisation as disclosed in note 1 to the Annual Report 2003.

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

	<b>Six months ended 30 June 2005 HK\$'000</b>	Six months ended 30 June 2004 HK\$'000
Net cash used in operating activities	(2,439)	(2,253)
Net cash used in investing activities	(68)	(1,498)
Net cash outflow before financing activities	(2,507)	(3,751)
Net cash inflow from financing activities	2,485	3,106
Net decrease in cash and cash equivalents	(22)	(645)
Cash and cash equivalents at beginning of the period	4,216	1,000
Cash and cash equivalents at end of the period	<u>4,194</u>	<u>355</u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	<u>4,194</u>	<u>355</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. General

The Company was incorporated in the Cayman Islands on 10 October 2002 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The shares of the Company were listed on the GEM of the Stock Exchange on 25 February 2003.

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

### 2. Basis of Preparation

The unaudited consolidated results have been prepared under the historical cost convention and in accordance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance and the GEM Listing Rules.

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“HKFRS”) which are effective for accounting periods beginning on or after 1 January 2005. The adoption of these HKFRS has no material impact on the Group’s results of operations and financial position.

The accounting policies adopted in preparing the unaudited consolidated results are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2004.

### 3. Turnover

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

	Three months ended		Six months ended	
	30 June		30 June	
	2005	2004	2005	2004
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Sales of licensed software	857	327	1,788	2,273
Software maintenance	220	176	414	317
Software rental and subscription income	406	125	514	149
Putonghua learning platform	101	71	152	91
	<u>1,584</u>	<u>699</u>	<u>2,868</u>	<u>2,830</u>



#### 4. Segmental Information

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		Six months ended	
	30 June		30 June	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	2,791	2,774	1,418	1,882
PRC	56	56	56	51
Others	21	–	11	–
	<u>2,868</u>	<u>2,830</u>	<u>1,485</u>	<u>1,933</u>
Segment Results			1,485	1,933
Unallocated expenses			<u>(3,302)</u>	<u>(3,683)</u>
Loss for the period			<u>(1,817)</u>	<u>(1,750)</u>

#### 5. Loss from Operations

Loss from operations has been arrived at after charging:

	Three months ended		Six months ended	
	30 June		30 June	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of development expenditure	–	64	–	129
Depreciation	<u>51</u>	<u>78</u>	<u>101</u>	<u>153</u>

#### 6. Taxation

No provision for taxation has been made as the Group had no assessable profits for the six months ended 30 June 2005 (2004: Nil).

#### 7. Dividend

The Board does not recommend the payment of an interim dividend for the three months and six months ended 30 June 2005 respectively (2004: Nil).

## 8. Loss Per Share

The calculation of the basic loss per share for the three months ended 30 June 2005 is based on the loss for the period of approximately HK\$1,067,000 (2004: HK\$1,760,000) and on the weighted average number of 588,849,829 shares (2004: 486,432,000 shares).

The calculation of the basic loss per share for the six months ended 30 June 2005 is based on the loss for the period of approximately HK\$1,817,000 (2004: HK\$1,750,000) and on the weighted average number of 586,298,290 shares (2004: 486,432,000 shares).

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

## 9. Trade and Other Receivables

The Group has a policy of allowing a credit period from 30 to 90 days to its trade customers.

	<b>30 June 2005</b> <i>HK\$'000</i>	31 December 2004 <i>HK\$'000</i>
Trade receivables	<b>1,090</b>	693
Other receivables	<b>493</b>	603
	<hr/> <b>1,583</b> <hr/>	<hr/> 1,296 <hr/>

An aged analysis of the Group's trade receivables as at the balance sheet date is as follows:

	<b>30 June 2005</b> <i>HK\$'000</i>	31 December 2004 <i>HK\$'000</i>
0-30 days	<b>732</b>	157
31-60 days	<b>2</b>	242
61-90 days	<b>59</b>	66
Over 90 days	<b>297</b>	228
	<hr/> <b>1,090</b> <hr/>	<hr/> 693 <hr/>

## 10. Trade and Other Payables

The Group has an average credit period ranging from 30 to 90 days from its trade creditors.

	<b>30 June 2005</b> <i>HK\$'000</i>	31 December 2004 <i>HK\$'000</i>
Trade payables	763	244
Other payables	848	1,967
	<u>1,611</u>	<u>2,211</u>

An aged analysis of the Group's trade payables as at the balance sheet date is as follows:

	<b>30 June 2005</b> <i>HK\$'000</i>	31 December 2004 <i>HK\$'000</i>
0-30 days	591	184
31-60 days	62	-
61-90 days	99	16
Over 90 days	11	44
	<u>763</u>	<u>244</u>

## 11. Related Party Transactions

During the period, the Group had transactions with related companies as follows:

<b>Nature of transactions</b>	<b>Six months ended</b> <b>30 June 2005</b> <i>HK\$'000</i>	Six months ended 30 June 2004 <i>HK\$'000</i>
Consultancy fee paid to Yorkshire Capital Ltd. ( <i>note a</i> )	-	200
Legal fees paid to Messrs. Yuen & Partners ( <i>note b</i> )	-	68
Rental expenses paid to Comeasy Communication Ltd. ( <i>note c</i> )	240	240
	<u>240</u>	<u>508</u>

*Notes:*

- (a) Ms. Wai Lai Yung, the director of the Company resigned on 1 June 2005, has beneficial interest in Yorkshire Capital Ltd.. The consultancy fee charged was determined and agreed by both parties in the ordinary course of business of the Group.
- (b) Mr. Yuen Ka Lok, Ernest, the director of the Company resigned on 1 May 2005, is also a partner of Messrs. Yuen & Partners. The legal fees were charged in the ordinary course of business of the Group on an arms-length basis.

- (c) Mr. Mo Wai Ming, Lawrence, the director of the Company, has beneficial interest in Comeasy Communication Ltd.. The rental charge was determined and agreed by both parties in the ordinary course of business of the Group.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Results of operations**

For the six months ended 30 June 2005, the Group recorded a turnover of approximately HK\$2,868,000 (2004: HK\$2,830,000) and a net loss of approximately HK\$1,817,000 (2004: HK\$1,750,000).

Operating expenses (excluding research and development ("R&D") expenses) for the period decreased by 26% to approximately HK\$2,732,000 as compared to HK\$3,683,000 for the same period last year. Such decrease was mainly attributable to the stringent cost control and a decrease in advertising and promotion expenses.

Despite slight increase in turnover and substantial savings in operating expenses, the Group recorded a net loss of HK\$1,817,000 representing 3.8% increase in loss as compared to the last corresponding period. Such increase was mainly resulted from an increase in R&D expenses of HK\$570,000 charged to the profit and loss account whereas the R&D expenses were capitalised during the same period last year.

## **BUSINESS REVIEW AND OUTLOOK**

### **Software Sales Business**

The sales of HanWEB and HanVoice/HanPhone software continue to lag behind our expectation despite the growth in our front log indicative of more prospects are interested in having a simplified Chinese section in their websites and our Interactive Voice Response System (IVR). The selling cycle is still a lot longer than we anticipate. During the period, we have completed the project in revamping the official website of Social Welfare Department of the Hong Kong SAR Government. We are optimistic that the sales of Chinese JAWS, the screen reader software for the visually impaired will exceed that of the first half year as more money are being earmarked from charitable funds to help the visually impaired community acquire computer software and hardware for job training.

### **Service Business**

The Putonghua Learning Platform ("ePutonghua") continues to making inroads to the market. More trade organization including Chinese Manufacturers' Association and Apex Junior Chamber have entered partnership agreement in promoting the subscription based service to their members. The Hong Kong SAR Government's Continued Education Fund has formally approved the application of the blended training programme jointly offered by Vocational Training Council and KanHan in June. First session of the training class will begin in September this year. Course compilation for

the legal profession has been completed for submission to Hong Kong Law Society for its approval for points awarded under Continued Professional Development programme upon completion of the online learning course. A totally revamped website of [www.putonghuaonline.com](http://www.putonghuaonline.com) launched in June incorporating online credit card payment has seen a gradual build-up of traffics and subscriptions. We are optimistic the Hong Kong Yahoo Dictionary service will bring in substantial increase in business resulting from Yahoo's acknowledgement link in the dictionary service page to the ePutonghua website in the second half of the year.

The eFaxonline service of sending and receiving of fax over internet was officially launched in end June. Promotional activities have begun both in Hong Kong and in Guangzhou. The HK\$58 monthly subscription service will provide user a Hong Kong fax number that they can receive unlimited faxes and send faxes at the cost of HK\$0.1 per page through the eFaxonline.com service portal. We have received enquires everyday since launch with some from China enquiring about promoting their products and services in Hong Kong using our fax database for mass-faxing. The China companies whom have frequent fax exchanges with Hong Kong and other international cities should be interested in the IDD cost saving the eFaxonline service provides when IDD cost in Hong Kong is substantially lower than that in China.

On the DIY Ringtone front, the China based QQ instant messaging service operator Tencent has renewed the contract with KanHan in launching a new WAP based DIY Ringtone service to mobile phone users. Users can, through the mobile phone, invoke the text to speech and music editing service and send the resulting messages through the WAP channel provided by China Mobile. Tencent is more confident on the new mobile phone based service business than the Internet based service launched last year and is planning aggressive promotional plan for the service when it will be launched in August. Despite its laggard launch last year, we are still quite optimistic that the voice enabled messaging service over mobile phone will become more popular when new handsets with more memory and wider bandwidth are available.

### **Pharmanet Project**

KanHan has begun negotiation with a number of China based medical goods importers and distributors in setting up an e-commerce infrastructure to facilitate their ordering of oversea brand name medicines through Hong Kong. The business to business infrastructure will eventually evolve into an e-commerce portal serving China consumers on imported medicines. In the short term, we anticipate a gradual build up of the commission based medicine trading business from China importers and distributors on which KanHan will facilitate the ordering and delivery. Along the way, we also aim to generate business from providing the importers and distributors the software services in further automating their operations in inventory control, logistics and customer service.

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

The Group had total bank balances and cash of approximately HK\$4,194,000 at 30 June 2005 (31 December 2004: HK\$4,216,000). The Group recorded net current assets of approximately HK\$4,056,000 at 30 June 2005 (31 December 2004: HK\$3,278,000). The Group had no bank borrowings at 30 June 2005 (31 December 2004: Nil) but an outstanding loan granted by government of approximately HK\$1,356,000 at 30 June 2005 (31 December 2004: HK\$1,419,000).

During the six months ended 30 June 2005, the Group's operation was mainly financed by its internal financial resources and the net proceeds from the placing of shares. On 27 June 2005, the Company placed 116,740,000 new shares to the independent third parties at HK\$0.023 per share and recorded net proceeds of approximately HK\$2,548,000.

During the period, the Group did not make any material investments, acquisitions and disposals of subsidiaries and affiliated companies.

## **FOREIGN EXCHANGE EXPOSURE**

The Group has no foreign currency borrowings and is principally operating in Hong Kong and PRC. There is no significant exposure to exchange rate fluctuation and accordingly the Group does not take out any financial instrument for hedging purpose.

## **CONTINGENT LIABILITIES**

As at 30 June 2005, the Group had no material contingent liabilities.

## **EMPLOYEE INFORMATION**

As at 30 June 2005, the Group had 23 (31 December 2004: 24) full-time employees. 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.

The Group also adopts employee share option scheme to provide eligible employees 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.

## **DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 June 2005, the interests of the directors of the Company and their associates in the shares of the Company and the underlying shares as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance (“SFO”), or which are required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

<b>Name</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Percentage of the issued share capital</b>
Mr. Mo Wai Ming, Lawrence	Beneficial owner	176,008,000	25.13%

Save as disclosed above, as at 30 June 2005, none of the directors and chief executive or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

## **SHARE OPTION SCHEME**

The Company adopted a share option scheme (the “Scheme”) on 24 January 2003 pursuant to a written resolution of the Company. As at 30 June 2005, no share options have been granted under the Scheme.

## **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in the section headed “Related Party Transactions” above, there were no contracts of significance 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 subsisted at the end of the period or at any time during the period.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

Name	Capacity	Number of shares held	Percentage of the issued share capital
Mr. Lau Kim Hung, Jack	Interest of a controlled corporation*	151,686,400	21.66%
Manciple Enterprises Limited	Person having a security interest in shares*	151,686,400	21.66%
YesMobile Holdings Company Limited	Beneficial owner	97,286,400	13.89%
Alexandra Global Investment Fund I, Ltd.	Beneficial owner	75,010,000	10.71%
Alexandra Investment Manager, LLC	Beneficial owner	75,010,000	10.71%

\* On 13 April 2005, 151,686,400 shares held by Mr. Mo Wai Ming, Lawrence was pledged in favour of Manciple Enterprises Limited (“Manciple”), a company incorporated in the British Virgin Islands and wholly and beneficially owned by Mr. Lau Kim Hung, Jack (“Mr. Lau”), who accordingly, had a security interest in these 151,686,400 shares. Under the SFO, each of Manciple and Mr. Lau is deemed to be interested in these 151,686,400 shares.

## COMPLIANCE ADVISER’S INTERESTS

Pursuant to the agreement dated 1 June 2005 entered into between the Company and Hantec Capital Limited (“Hantec”), Hantec will receive a fee for acting as the Company’s compliance adviser for the period from 1 June 2005 to 31 December 2005.

Neither the compliance adviser of the Company, Hantec, nor its directors, employees or associates 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 30 June 2005.

## 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.



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

During the period ended 30 June 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the six months ended 30 June 2005, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

## **CORPORATE GOVERNANCE**

During the six months ended 30 June 2005, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

## **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 24 January 2003 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The audit committee comprises Mr. Hsu Shiu Foo, William, Mr. Lee Kun Hung and Mr. Kwok Chi Sun, Vincent, who are the independent non-executive directors of the Company.

The Group's unaudited consolidated financial statements for the six months ended 30 June 2005 have been reviewed by the audit committee, which was of the opinion that the preparation of such financial statements complied with the applicable accounting standards, the Stock Exchange and other legal requirements and that adequate disclosure has been made.

As at the date of this announcement, Mr. Mo Wai Ming, Lawrence and Mr. Ma She Shing, Albert are executive Directors, and Mr. Hsu Shiu Foo, William, Mr. Lee Kun Hung and Mr. Kwok Chi Sun, Vincent are independent non-executive Directors.

By Order of the Board  
**Ma She Shing, Albert**  
*Chairman*

Hong Kong, 9 August 2005