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看漢科技集團有限公司

KanHan Technologies Group Limited

(Incorporated in the Cayman Islands with limited liability)

Dial to the Internet Technology
Bridging the Digital Divide

e-Putonghua Learning Platform

IT Support Services

DIY Ring-Tone

Annual Report

2004

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

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

This report, for which the directors of KanHan Technologies Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (“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.

Contents

	<i>PAGE(S)</i>
CORPORATE INFORMATION	3
CORPORATE PROFILE	4
FINANCIAL HIGHLIGHTS	5
CHAIRMAN'S STATEMENT	6-7
BUSINESS REVIEW	8-10
MANAGEMENT DISCUSSION AND ANALYSIS	11-13
PROGRESS AGAINST BUSINESS OBJECTIVES	14-15
DIRECTORS PROFILE	16-17
DIRECTORS' REPORT	18-25
AUDITORS' REPORT	26-27
CONSOLIDATED INCOME STATEMENT	28
CONSOLIDATED BALANCE SHEET	29-30
BALANCE SHEET	31
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	32
CONSOLIDATED CASH FLOW STATEMENT	33-34
NOTES TO THE FINANCIAL STATEMENTS	35-56
NOTICE OF ANNUAL GENERAL MEETING	57-60

Corporation Information

BOARD OF DIRECTOR

Chairman & CEO

Mo Wai Ming, Lawrence

Executive Director

Wai Lai Yung

Non-executive Director

Yuen Ka Lok, Ernest

Independent Non-executive Directors

Li Mo Ching, Joyce

Tam Cheuk Ling, Jacqueline

Kwok Chi Sun, Vincent

COMPANY SECRETARY

Au Shui Ming, Anna

QUALIFIED ACCOUNTANT

Au Shui Ming, Anna

COMPLIANCE OFFICER

Mo Wai Ming, Lawrence

AUDIT COMMITTEE

Li Mo Ching, Joyce (Committee Chairman)

Tam Cheuk Ling, Jacqueline

Kwok Chi Sun, Vincent

AUTHORISED REPRESENTATIVES

Mo Wai Ming, Lawrence

Au Shui Ming, Anna

SPONSOR

South China Capital Limited

AUDITORS

Moore Rowland Mazars

REGISTERED OFFICE

Caledonian Bank & Trust Limited

Caledonian House

P.O. Box 1043

George Town

Grand Cayman

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

15/F., Sun House

181 Des Voeux Road Central

Hong Kong

SHARE REGISTRARS

Standard Registrars Limited

G/F., Bank of East Asia

Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking

Corporation Limited

1 Queen's Road Central

Hong Kong

WEBSITE ADDRESS

www.kanhan.com

STOCK CODE

8175

Corporate Profile

Established in 1999, **KanHan Technologies Group Limited** is a global leader in Asian Language infrastructure development for wireless devices such as PDAs and 2G and 3G mobile phones and PCs.

“With our HanVOICE server and patented HanFont Technology, our Group endeavors to become the market leader in web-based Chinese, Japanese and Korean (CJK) text to text and text to speech communications business.”

Lawrence Mo, Chairman & CEO of KanHan Technologies Group Limited

AWARDS

- The Hong Kong Computer Society; Certificate of Merit in the Communications Applications Category of the Asia Pacific Information and Communications Technology Awards, 2004
- The Hong Kong Computer Society; 6th IT Excellence Award; Certificate of Merit in the Product Category, 2004
- The Hong Kong Awards for Industry, the Hong Kong Science & Technology Park Certificate of Merit in Technological Achievement, 2002
- The Hong Kong Awards for Industry; Federation of Hong Kong Industries Consumer Product Design Award, 2002
- The Hong Kong Awards for Industry, the Hong Kong Science & Technology Park Technological Achievement Award, 2001
- The Hong Kong Computer Society; IT Excellence Product Silver Award, 2001
- 2003 Asia-Pacific Technology Fast 500 Programme of Deloitte Touche Tohmatsu – 7th position

Financial Highlights

	For the year ended 31st December,				
	2000	2001	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RESULTS					
Turnover	416	2,448	8,801	2,984	4,320
(Loss) profit from ordinary activities attributable to shareholders	(5,324)	(5,434)	3,721	(16,708)	(8,950)
ASSETS AND LIABILITIES					
	As at 31st December,				
	2000	2001	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	4,200	3,057	11,713	7,858	6,179
Total liabilities	(352)	(4,244)	(8,551)	(4,819)	(3,630)
Balance (deficiency) of shareholders' funds	3,848	(1,187)	3,162	3,039	2,549

Notes:

1. The Company was incorporated in the Cayman Islands on 10th October, 2002 and became the holding company of the Group on 15th January, 2003 as a result of the Group Reorganisation.
2. The results for each of the three years ended 31st December, 2000, 2001 and 2002 and the assets and liabilities as at 31st December, 2000, 2001 and 2002 have been prepared using the merger method of accounting as if the group structure immediately after the Group Reorganisation had been in existence throughout the years concerned.

Chairman's Statement

KanHan Technologies Group Limited (the "Company" or "KanHan") and its subsidiaries (together known as the "Group") is proud to continue its traditional strength in technology development by winning two technology merit awards for its innovative HanVoice and HanPhone web-to-phone technology platform, the 2004 IT Excellence Awards by Hong Kong Computer Society in the SME category and our first regional award APICTA (Asia Pacific Information and Communications Technology Awards) in the communications applications category. These awards will no doubt further strengthen the launching efforts of our second flagship product HanPhone and HanVoice Server that has begun in the earlier part of 2004 to address the replacement market for the traditional Interactive Voice Response System ("IVR") systems.

KanHan was founded in 1999 on the basis that there was a huge business potential in providing web-based technologies to facilitate seamless communications across language, cultural and dialectical boundaries among Chinese in the Mainland, Hong Kong and Taiwan. The Company's first flagship product HanWEB Publishing Server for the website translation between Traditional and Simplified Chinese was released in 2001. With the official release of HanPhone and Voice Server product in 2004, we have succeeded in fulfilling the vision of providing a seamless communications platform through the Web and via wired and wireless telephone network for Chinese language with support to English.

It has been KanHan's business strategy since inception to establish itself as the prominent force and a brand name in the industry with its uniquely positioned products for the Greater China market. KanHan has done that by capturing a major market share in the past three years with the HanWEB Publishing Server. During the process, we have also become one of the top solution/service providers to the Hong Kong Special Administrative Region ("HKSAR") Government and major enterprises.

2004 was the year KanHan began its transition from a product-centric company into more services-oriented capitalizing on its established brand name, customer base and the technologies and skills that have been developed. Service oriented products such as ePutonghua, DIY Ringtone and IVR/Fax Marketing Campaign Services are spun off from our core competencies. The successful new share placement in mid August 2004 provided an expanded capital base in building up the infrastructure needed for the service business.

RESULTS FOR THE YEAR

For the year ended 31st December, 2004, the Group recorded a turnover of HK\$4,320,000, representing an increase of 45% from that of previous year. The net loss attributable to shareholders was HK\$8,950,000.

DIVIDEND

The board of directors ("the Board"/"the Directors") do not recommend the payment of a final dividend for the year ended 31st December, 2004.

Chairman's Statement

OUTLOOK

With a good balance of products and services under the belt, and that the subsidiary in Guangzhou is well into operations, KanHan will see herself in 2005 focusing on promoting its products and services more vigorously in the hope of generating a greater recurring revenue through the provision of subscription based services.

Two new services will be introduced in the second quarter of 2005. First is eFaxonline of which subscriber is offered a virtual fax number to receive and send fax through internet. This service will be promoted to companies in Hong Kong and China rendering them convenience and economic cross border and international fax service via Hong Kong. Second is IT Support Services which offers local Hong Kong companies services ranging from total system implementation to everyday user desktop support. The pay-per-use service unit arrangement services allows our customers to plan their IT budget with more flexibility by taking advantage of the volume discounts of their purchase in the future at the same time. The versatility of KanHan services may afford the company to exercise mass marketing means in reaching out to the widest possible audience for their attention.

As to the Putonghua Learning Platform, KanHan is in partnership with Vocational Training Council ("VTC") to offer HKSAR Government's Continuing Education Fund ("CEF") sanctioned Putonghua training courses in the third quarter of 2005. These courses will be the first of its kind in providing a combination of classroom and online training into one programme under VTC brand. Students attending these CEF sanctioned courses are eligible for reimbursement of upto 80% of the course fees which have been proven one major impetus to the flourishing adult training business in Hong Kong. We are confident the unique online learning element of the training courses will attract students from the numerous classroom based training programmes in the market.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our shareholders and business partners for their continued support and all our staff members for their dedication, devotion and hard work.

Mo Wai Ming, Lawrence

Chairman & CEO

18th March, 2005

Business Review

BUSINESS REVIEW

Software Sales Business

Selling of software remained challenging in the market. Commercial customers still procrastinate their investment into website related projects. As such, sales performance of HanWEB is still behind our expectation. The repackaging of HanPhone and HanVoice Server for the IVR applications has proven to be a good decision by the growing sales front log towards replacing ageing proprietary based IVR systems installed in major corporations for customer service applications. We were awarded two such projects in the fourth quarter of 2004 for HKSAR Government's Hong Kong Public Library and Leisure and Cultural Services Department.

Chinese JAWS ("CJAWS"), a screen reader software for the visually impaired persons ("VIP") that KanHan invested into Chinese localisation from its English developer began to payoff. Purchase from various charitable organisations has been growing steadily since August 2004. More importantly, CJAWS beat its closest rival in an evaluation exercise among the different VIP organizations in recommending HKSAR Government to purchase CJAWS for the CyberPoint centres catered for community IT needs. The recommendation paves the way for CJAWS to become the de facto VIP software in Hong Kong.

Service Business

IVR/Fax Marketing Campaign Services

As reported in last quarterly report, the Group has suspended its Info-Tone plan in launching the fee based call phone business in Hong Kong while the focus is shifting to provide IVR/Fax based marketing campaign services using the established infrastructure. The popular OctopusCard company used the IVR service to collect user information through lucky draw incentive scheme on which users entered through telephone their personal information. Sunday, the mobile phone operator called 50,000 of their subscribers using the service's automatic dial-out function to promote its year end special discount package.

Putonghua Learning Platform

The ePutonghua Learning Platform ("ePutonghua") has been evolving over the last year from an online learning resource into a structured learning program catered for learners of varied proficiency in Putonghua. Online examinations were introduced to the platform to allow self-assessment and promotion to next level of learning. VTC became our first major customer in deploying the learning platform to her staff and is in the process making it available for her students. The Institute of Professional Education and Knowledge of VTC has signed up to co-develop and resell the ePutonghua platform for corporate training.

Business Review

Apart from the corporate training market which has begun to take shape due to the VTC partnership, the Company has started to formulate its selling strategy towards the primary and secondary school market. We have appointed a training provider to be a reseller for the market and results are encouraging with a few hundreds of students who have already signed up for the platform in the first quarter of 2005. These students are either funded by the school or paid by their parents.

DIY Ring-tone Service

Despite of its innovation and being first introduced to the China's mobile market using Multimedia Message Service ("MMS") channel, the result is still lacking behind our expectation by a wide margin since its launch in the earlier part of 2004. Our launching partners, 21CN and TenCent are blaming it on the readiness of MMS as a stable and affordable channel in comparison to Short Message Service ("SMS"), the insufficient coherent marketing efforts to promote the basic service and the lack of pre-recorded contents. They nevertheless still like the platform and have renewed the partnership agreements for continuation of the service in their portals.

KanHan has upgraded the platform to support multiple text-to-speech voices and background music and has begun to develop thematic based content to attract regular monthly subscriptions. The first such content will be on usage of English which will allow subscriber to receive a daily MMS message consisting of a spoken English phrase with its meaning in Chinese displayed in text. The Company has also started to meet up with new service and content providers whom have shown interest in bundling the platform into their existing services.

Research and Development

Due to persistent demand for corporate fax server technology integration to the Web, our latest development effort has been the productization of the fax function in HanPhone. The fax function in HanPhone was taken out from HanPhone to become an independent HanFax product line. HanFax enables user to send and receive faxes over the internet. Companies can choose from an entry system of one telephone line to a fax broadcasting server of T1 line supporting 23 channels for their staff to use the fax service wherever they are with an internet connection. Substantial efforts have also been devoted in developing the commercial IVR interface to the innovative HanPhone Server to mimic a traditional IVR system in the surface.

Business Review

PRC Opportunities

The Company is still in the process of discussing the business collaboration plan with YesMobile Holdings Company Limited (“YesMobile”), being a PRC and Hong Kong value-added mobile phone service provider in adopting KanHan’s DIY Ringtone technologies and IVR technologies to complement its service offerings to the market.

KanHan Technologies (China) Limited, our Guangzhou based office was not performing as planned as much efforts were invested into cultivating the DIY Ringtone business which did not generate the projected income. The Company has decided to increase the selling efforts of our traditional software including the DIY Ringtone technology as a software product for 2005.

Management Discussion and Analysis

RESULTS OF OPERATION

For the year ended 31st December, 2004, the Group's turnover increased by approximately 45% to approximately HK\$4,320,000 (2003: approximately HK\$2,984,000). Most of the Group's sales during the year were derived from Hong Kong, accounting for approximately 97% of the Group's sales.

Licensed software business continued to be the Group's major source of income. Turnover from the sales of licensed software and the software related services including the software rental and subscription services and the provision of software maintenance service, achieved the growth of approximately 7% and 433% to approximately HK\$2,956,000 (2003: HK\$2,761,000) and HK\$1,188,000 (2003: HK\$223,000) respectively.

With our continuous efforts in promoting the ePutonghua, we have witnessed the gradual built-up of the growth momentum of this business. Turnover of ePutonghua contributed approximately 4% of the Group's total turnover.

Operating expenses (excluding research and development expenses) for the year ended 31st December, 2004 decreased by 32% to approximately HK\$9,165,000 as compared to HK\$13,485,000 for the year ended 31st December, 2003. The decrease in operating expenses was mainly attributable to the decrease in marketing and promotional expenses and the professional costs. In addition, there was no substantial provision for bad and doubtful debts (2003: HK\$1,625,000) was made during the year.

The management of the Group continues to adopt a prudent approach in capitalization of research and development expenses. A total of HK\$2,379,000 of research and development expenses incurred during the year and HK\$81,000 capitalized in previous year was expensed off during the year.

TAXATION

No provision for taxation has been made in the financial statements for the year ended 31st December, 2004 as the Group incurred a tax loss for the year.

Details of the deferred taxation asset not recognised are set out in note 22.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial resources

As at 31st December, 2004, shareholders' funds of the Group amounted to approximately HK\$2,549,000 (2003: HK\$3,039,000). The Group had a total assets of approximately HK\$6,179,000 (2003: HK\$7,858,000), including cash and bank balances of approximately HK\$4,216,000 (2003: HK\$1,000,000). The Group's current liabilities amounted to approximately HK\$2,434,000 (2003: HK\$3,518,000) and it had no banking facilities available. As at 31st December, 2004, the Group had a current ratio of approximately 2.35:1 as compared to that of 1.94:1 at 31st December, 2003. The total liabilities over the shareholders' fund of the Group is 1.42 (2003: 1.59) as at 31st December, 2004. During the year ended 31st December, 2004, the Group financed its operations with its own working capital, internally generated cash flow and the net proceeds from the placing of shares.

INDEBTEDNESS

Borrowings

As at the close of business on 31st December, 2004, the Group had outstanding borrowings of approximately HK\$1,419,000. The long-term borrowings represented financial assistance from the government of approximately HK\$1,196,000. The financial assistance from the government was provided by The Innovation and Technology Fund ("ITF"). The fund is non-interest bearing and repayable to ITF when revenue is generated from the specific product.

DISTRIBUTABLE RESERVES

As at 31st December, 2004, the Company's reserves available for distribution to shareholders represent the aggregate of share premium and contributed surplus less accumulated losses, amounting to approximately HK\$1,994,000 (2003: HK\$6,028,000).

FOREIGN EXCHANGE RISK

As at 31st December, 2004, the Group had no significant exposure to fluctuation in foreign exchange rate.

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.

Management Discussion and Analysis

CAPITAL STRUCTURE

On 14th August, 2004, the Company completed the placement of 97,286,400 new shares to YesMobile at the subscription price of HK\$9,000,000, representing approximately HK\$0.0925 per subscription share.

As at 31st December, 2004, the total issued share capital of the Company was HK\$5,837,184 divided into 583,718,400 shares of HK\$0.01 each.

CONTINGENT LIABILITIES

As at 31st December, 2004, the Group had no material contingent liabilities.

EMPLOYEE INFORMATION

As at 31st December, 2004, the Group had 24 (2003: 13) full-time employees. Employee costs, excluding Director's emoluments, totalled HK\$3,777,000 (2003: HK\$3,345,000). 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 programs including medical coverage and provident funds are also provided. In addition, training and development course were offered throughout the Group to upgrade employee skills and knowledge.

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

Progress Against Business Objectives

For the year ended 31st December, 2004

Business objectives as set out in the Prospectus

Actual business progress

- | | |
|------------------------------------|--|
| 1. Product Upgrades | <ul style="list-style-type: none"> – HanPhone/HanVoice Server has been upgraded with an administrative layer to produce a similar look and feel to traditional interactive voice response systems – A filter version of HanWeb has been developed for Microsoft IIS webserver to provide potential clients more flexibility in developing another Chinese Interface |
| 2. Marketing of HanVoice | <ul style="list-style-type: none"> – Official launch of HKSAR Government's sound portal in May 2004 – Press release of Octopus' subscription to HanVoice/HanPhone rental service |
| 3. Development of HanVoice Server | <ul style="list-style-type: none"> – Outbound call and fax server functions have been developed and integrated into the HanVoice/HanPhone Server system – HanVoice server has been extended to support KanHan's newly introduced on-line Putonghua Learning Platform and DIY Ring-tone service |
| 4. General Promotion and Marketing | <ul style="list-style-type: none"> – Due to the set up of a wholly-owned subsidiary in Guangzhou in March 2004, the Group shifted its resources to get business alliances in the PRC market. Hence, the following plans have not been carried out: <ul style="list-style-type: none"> • seek distribution partners for Japanese and Korean market • open representative office in Chengdu, PRC – To promote the DIY Ring-tone service through advertising campaign in major cities in the PRC |

Progress Against Business Objectives

A comparison of the planned uses of net proceeds from the initial public offering against the actual uses is set out below:

	Proposed amount to be used up to 31st December, 2004 as per prospectus HK\$ million	The actual net proceeds utilized up to 31st December, 2004 HK\$ million
Upgrading the Group's products	2.0	2.0
Marketing & development of HanVoice Server	2.0	2.0
General promotion & marketing	4.5	5.5
Repayment of loans	1.6	1.6
General working capital uses	3.1	3.1
	<hr/>	<hr/>
	13.2	14.2

The Group originally planned to utilize approximately HK\$13.2 million to achieve its business objectives for the period from 25th February, 2003 to 31st December, 2004. As illustrated in the above table, the Group has accelerated its use of proceeds and incurred a total of approximately HK\$14.2 million for the said period. Save for the aforesaid accelerated use of proceeds, there was no material deviation from the intended use of proceeds for implementation of business and development strategies as stated in the prospectus of the Company.

Directors Profile

EXECUTIVE DIRECTORS

Mr. Mo Wai Ming, Lawrence, Chairman & CEO, aged 45, is the chairman of the Board. Prior to founding KanHan Technologies Inc. in 1999, Lawrence has over 10 years experience in the development and sales of solutions on local language computing for Asian languages and for electronic and Internet publishing. Being an expert in Chinese computing, he was appointed as a member of the HKSAR Government's Chinese Language Interface Advisory Committee in May 1999. As the chief executive, Mr. Mo has overall responsibility for the operations and performances of the Group.

Mr. Mo founded his first company in 1989 from which Microsoft licensed the Chinese font technology in 1991 for its Chinese Windows 3.0 product for screen display and printing. The company was acquired in 1991 by a Taiwan company. Mr. Mo spent the subsequent 9 years working for the Taiwan company in the strategic planning and new business development areas in Japan, China and international market.

Prior to 1989, Mr. Mo worked for 6 years in the Hong Kong branch of Digital Equipment Corporation (now a part of Hewlett Packard) in various sales and sales management positions with the last job as the Large Projects Manager. He won three times the Decathlon award for being a world wide outstanding salesperson. Before that, he was an application programmer in a local software house for 18 months since his return to Hong Kong from University of Toronto, Canada with a degree in Science majoring in Computer Science in 1982.

Ms. Wai Lai Yung, aged 47, has been a director of the Group since 7th November, 2000. Ms. Wai is a Certified Public Accountant and an associate member of the Hong Kong Institute of Certified Public Accountants. She is also a director of Yorkshire Capital Limited ("Yorkshire") which provides business consultancy and accounting services to the Group. She was employed by Yorkshire in 1993. Ms. Wai was employed full time by Yorkshire and devoted approximately 5% of her time to the Group as executive Director. She is involved in the daily operations of the Group.

Directors Profile

NON-EXECUTIVE DIRECTOR

Mr. Yuen Ka Lok, Ernest, aged 41, is the non-executive director of the Company. Mr. Yuen is a solicitor and a partner of Messrs. Yuen & Partners. He has over 10 years of extensive experience in general litigation and commercial work. He received his Bachelor's Degree of Commerce from University of Toronto in 1984. Mr. Yuen is a member of the Law Society of Hong Kong. He was appointed as director of the Group in July, 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Li Mo Ching, Joyce, aged 46, was appointed as an independent non-executive director and audit committee member of the Company on 22nd July, 2004. Ms. Li has been the director of Pro-tax Consultants Limited since 1999. She is a Certified Public Accountant, a fellow of the Association of Chartered Certified Accountants and an Associate of Hong Kong Institute of Certified Public Accountants.

Ms. Tam Cheuk Ling, Jacqueline, aged 39, was appointed as an independent non-executive director and audit committee member of the Company on 22nd July, 2004. Ms. Tam has been the Vice President of Yorkshire Capital Limited since 2000.

Mr. Kwok Chi Sun, Vincent, aged 42, was appointed as an independent non-executive director and audit committee member of the Company on 1st October, 2004. Mr. Kwok is a sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is an independent non-executive director of other listed companies.

Directors' Report

The directors present the annual report and the audited financial statements of the Group for the year ended to 31st December, 2004.

DATE OF INCORPORATION

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

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company.

Details of the principal activities of its subsidiaries are set out in note 13 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 28.

The directors do not recommend the payment of a dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of movements in the authorised and issued share capital of the Company are set out in note 19 to the financial statements.

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Mo Wai Ming, Lawrence

Ms. Wai Lai Yung

Mr. Lee Chi Ming (resigned on 1st January, 2005)

Mr. Sun Kam Fai, Zacky (resigned on 1st October, 2004)

Non-executive director:

Mr. Yuen Ka Lok, Ernest

Independent non-executive directors:

Ms. Li Mo Ching, Joyce (appointed on 22nd July, 2004)

Ms. Tam Cheuk Ling, Jacqueline (appointed on 22nd July, 2004)

Mr. Kwok Chi Sun, Vincent (appointed on 1st October, 2004)

Mr. Lai Chau Ming (resigned on 22nd July, 2004)

Mr. Ho Siu Kau (resigned on 22nd July, 2004)

In accordance with Articles 108 (a) and (b) of the Company's Articles of Association, Mr. Mo Wai Ming, Lawrence and Mr. Yuen Ka Lok, Ernest shall retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

Each of the executive directors has entered into a service contract with the Company for an initial term of one year commencing 1st January, 2003, which will continue thereafter until terminated by either party by giving one month's prior written notice (for Ms. Wai Lai Yung) and by giving three months' prior written notice (for Mr. Mo Wai Ming, Lawrence).

The non-executive director and the independent non-executive directors have been appointed for a fixed term of one year.

The Board has obtained written confirmations from all independent non-executive directors of the Company concerning their independence in accordance with Rule 5.9 of the GEM Listing Rules. The Board believed that the existing independent non-executive directors are independent based on the guidelines set out in Rule 5.9 of the GEM Listing Rules.

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Report

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

At 31st December, 2004, the interests of the directors of the Company and their associates in the shares and share options of the Company, 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 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Mo Wai Ming, Lawrence	Beneficial owner	176,008,000	30.14%
Ms. Wai Lai Yung	Beneficial owner	2,512,000	0.43%
	Held by controlled corporations*	84,072,000	14.40%
Mr. Lee Chi Ming	Beneficial owner	1,432,000	0.25%
Mr. Yuen Ka Lok, Ernest	Beneficial owner	1,432,000	0.25%

* Ms. Wai Lai Yung beneficially owns 50% issued capital of Metrolink Holdings Limited ("Metrolink"), 45.45% issued capital of ZMGI Corporation ("ZMGI") and 100% issued capital of Golden Nugget Resources Limited ("Golden Nugget") which held 3,616,000, 40,432,000 and 40,024,000 shares in the Company respectively.

Save as disclosed above, and other than nominee shares in certain subsidiaries held in trust for the Group, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations.

Directors' Report

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 20 to the financial statements.

No share options have been granted by the Company under the Company's share option scheme since the date of adoption.

DIRECTORS' INTERESTS IN CONTRACTS

During the year ended 31st December, 2004, the Group entered into a tenancy agreement with Comeasy Communication Limited ("Comeasy") in which Mr. Mo Wai Ming, Lawrence has a beneficial interest. The rental expenses paid during the year to Comeasy amounted to HK\$480,000. Moreover, the Group paid a consultancy fee to Yorkshire Capital Limited ("Yorkshire") in which Ms. Wai Lai Yung has a beneficial interest. The consultancy fee paid during the year amounted to HK\$290,000.

During the year, the Group paid legal fees of approximately HK\$181,000 to Messrs. Yuen & Partners for consultancy services 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 year or at any time during the year 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.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2004, 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 issued ordinary shares held	Percentage of the issued share capital of the Company
YesMobile Holdings Company Limited	Beneficial owner	97,286,400	16.67%
Alexandra Global Investment Fund I, Ltd	Beneficial owner	75,010,000	12.85%
Alexandra Investment Manager, LLC	Beneficial owner	75,010,000	12.85%
Mr. Lai Kui Sing, Andy	Held by controlled corporations (note i)	44,048,000	7.55%
Metrolink	Beneficial owner	3,616,000	0.62%
	Held by controlled corporations (note ii)	40,432,000	6.93%
ZMGI	Beneficial owner	40,432,000	6.93%
Golden Nugget	Beneficial owner	40,024,000	6.85%

Notes:

- (i) Mr. Lai Kui Sing, Andy beneficially owns 50% issued capital of Metrolink and beneficially owns 44.25% issued capital of ZMGI.
- (ii) Metrolink beneficially own 88.5% issued capital of ZMGI.

Other than as disclosed above, the Company had not been notified of any other interests or short positions in the issued share capital of the Company as at 31st December, 2004.

Directors' Report

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 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 31st December, 2004 pursuant to Rules 6.36 of the GEM Listing Rules.

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 the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Share Options" above, at no time during the year 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.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

With reference to the Group's financial statements, in respect of the year ended 31st December, 2004:

- (i) The Group's single product is computer software which is developed internally. Accordingly, information on the Group's major suppliers is not meaningful.
- (ii) The Group's largest customer and the five largest customers accounted for 22.8% and 61.6%, respectively, of the Group's total turnover.

In the opinion of the directors, none of the directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interest in the Group's five largest customers.

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

During the year, 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 5.34 to 5.45 of the GEM Listing Rules during the year ended 31st December, 2004.

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.

Directors' Report

AUDIT COMMITTEE

The Company established an audit committee on 24th January, 2003 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The audit committee comprises Ms. Li Mo Ching, Joyce, Ms. Tam Cheuk Ling, Jacqueline and Mr. Kwok Chi Sun, Vincent, who are the independent non-executive directors of the Company.

The Group's audited results for the year ended 31st December, 2004 have been reviewed by the audit committee, which are of the opinion that the preparation of such results complies with applicable accounting standards, GEM Listing Rules, and that adequate disclosures have been made.

AUDITORS

During the year ended 31st December, 2004, the auditors, Messrs. Deloitte Touche Tohmatsu resigned and Messrs. Moores Rowland Mazars, Chartered Accountants, Certified Public Accountants, were appointed auditors of the Company.

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Moores Rowland Mazars.

On behalf of the Board

CHAIRMAN

Mo Wai Ming, Lawrence

18th March, 2005

Auditors' Report

Moores Rowland Mazars

摩斯倫 · 馬賽會計師事務所

34th Floor, The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong
香港銅鑼灣希慎道33號利園廣場34樓

TO THE SHAREHOLDERS OF KANHAN TECHNOLOGIES GROUP LIMITED

看漢科技集團有限公司

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 28 to 56 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Auditors' Report

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moores Rowland Mazars

Chartered Accountants

Certified Public Accountants

Hong Kong, 18th March, 2005

Consolidated Income Statement

For the year ended 31st December, 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Turnover	4	4,320	2,984
Direct costs		(1,645)	(1,758)
Gross profit		2,675	1,226
Other operating income		–	47
Research and development expenses		(2,460)	(4,485)
Selling and distribution expenses		(2,348)	(3,525)
Administrative expenses		(6,817)	(9,960)
Loss from operations	6	(8,950)	(16,697)
Finance costs	7	–	(11)
Loss for the year		(8,950)	(16,708)
Loss per share – Basic	11	(1.71 cents)	(3.49 cents)

Consolidated Balance Sheet

At 31st December, 2004

	Notes	2004 HK\$'000	2003 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	467	681
Development expenditure	14	–	339
		467	1,020
CURRENT ASSETS			
Inventories	15	200	–
Trade and other receivables	16	1,296	1,867
Amounts due from shareholders	17	–	3,971
Bank balances and cash		4,216	1,000
		5,712	6,838
CURRENT LIABILITIES			
Financial assistance from government	18	223	158
Other payables		2,211	3,360
		2,434	3,518
NET CURRENT ASSETS			
		3,278	3,320
TOTAL ASSETS LESS CURRENT LIABILITIES			
		3,745	4,340
NON-CURRENT LIABILITIES			
Financial assistance from government	18	1,196	1,301
		1,196	1,301
		2,549	3,039

Consolidated Balance Sheet

At 31st December, 2004

	Notes	2004 HK\$'000	2003 HK\$'000
CAPITAL AND RESERVES			
Share capital	19	5,837	4,864
Reserves		(3,288)	(1,825)
		2,549	3,039

The financial statements on pages 28 to 56 were approved and authorised for issue by the Board of Directors on 18th March, 2005 and are signed on its behalf by:

Mo Wai Ming, Lawrence
DIRECTOR

Wai Lai Yung
DIRECTOR

Balance Sheet

At 31st December, 2004

	Notes	2004 HK\$'000	2003 HK\$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	13	5,132	8,150
CURRENT ASSETS			
Other receivables		181	9
Amounts due from shareholders	17	–	3,971
Bank balances		3,269	269
		3,450	4,249
CURRENT LIABILITIES			
Other payables		751	1,507
NET CURRENT ASSETS			
		2,699	2,742
		7,831	10,892
CAPITAL AND RESERVES			
Share capital	19	5,837	4,864
Reserves	21	1,994	6,028
		7,831	10,892

Mo Wai Ming, Lawrence
DIRECTOR

Wai Lai Yung
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2004

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (note a)	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 2003	901	9,298	–	(7,037)	3,162
Arising from Group Reorganisation	(786)	(9,298)	10,084	–	–
Issue of shares by way of capitalisation	4,085	(4,085)	–	–	–
Issue of shares upon conversion of convertible notes	64	1,740	–	–	1,804
Issue of shares under the placing	600	19,200	–	–	19,800
Share issue expenses	–	(5,019)	–	–	(5,019)
Loss for the year	–	–	–	(16,708)	(16,708)
At 31st December, 2003	4,864	11,836	10,084	(23,745)	3,039
Issue of shares under the placing	973	8,027	–	–	9,000
Share issue expenses	–	(540)	–	–	(540)
Loss for the year	–	–	–	(8,950)	(8,950)
At 31st December, 2004	5,837	19,323	10,084	(32,695)	2,549

Note:

- (a) The special reserve represents the difference between the nominal amount of shares and share premium of KanHan Technologies Inc. ("KanHan (BVI)") 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.

Consolidated Cash Flow Statement

For the year ended 31st December, 2004

	2004 HK\$'000	2003 HK\$'000
OPERATING ACTIVITIES		
Loss for the year	(8,950)	(16,708)
Adjustments for:		
Allowance for bad and doubtful debts	–	1,625
Amortisation of development expenditure	258	357
Depreciation	296	224
Impairment loss on development expenditure	81	2,170
Interest expense	–	11
Interest income	–	(7)
Loss on disposal of property, plant and equipment	289	229
Operating cash flows before movements in working capital changes	(8,026)	(12,099)
Decrease in trade and other receivables	571	4,975
Increase in stocks	(200)	–
Decrease in amount due from a related company	–	44
(Decrease) Increase in other payables	(1,149)	1,905
Decrease in amounts due to related companies	–	(300)
Cash used in operation	(8,804)	(5,475)
Increase received	–	7
NET CASH USED IN OPERATING ACTIVITIES	(8,804)	(5,468)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(375)	(906)
Proceeds for sale of property, plant and equipment	4	–
CASH USED IN INVESTING ACTIVITIES	(371)	(906)

Consolidated Cash Flow Statement

For the year ended 31st December, 2004

	2004 HK\$'000	2003 HK\$'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	9,000	19,800
Share issue expenses	(540)	(5,019)
Decrease (Increase) in amounts due from shareholders	3,971	(3,971)
Repayment of 8% convertible note	–	(764)
Repayment of loans from a shareholder	–	(681)
Repayment of short-term loans	–	(150)
Repayment of financial assistance from government	(40)	(48)
Interest paid	–	(11)
NET CASH FROM FINANCING ACTIVITIES	12,391	9,156
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,216	2,782
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,000	(1,782)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	4,216	1,000
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	4,216	1,000
	4,216	1,000

Notes to the Financial Statements

For the year ended 31st December, 2004

1. GENERAL

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.

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

The principal activity of the Company is investment holding company. Details of the principal activities of its subsidiaries are set out in note 13.

2. RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005.

The Group has not early adopted these HKFRSs in the financial statements for the year ended 31st December, 2004. However, the Group is in the process of making an assessment of the impact of these new HKFRSs and so far concluded that the adoption of these HKFRSs would not have a significant impact on its results of operations and financial position.

The Group will be continuing with the assessment of the impact of the other new HKFRSs and other significant changes may be identified as a result.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with Statements of Standard Accounting Practice ("SSAPs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance and the GEM Listing Rules. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

Notes to the Financial Statements

For the year ended 31st December, 2004

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Revenue recognition

Sales of licensed software are recognised when goods are delivered and the right to use the licence is established.

Revenue from maintenance service contracts, which is received or receivable from customers when the maintenance service contracts are entered into, is amortised and credited to the income statement on a straight line basis over the respective term of the maintenance service contract.

Software rental income and subscription income from software application are derived from providing software application to customers. The income is recognised when services are provided.

Interest income is accrued on a time apportionment basis by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold improvements	33⅓%
Furniture, fixtures and office equipment	20%
Computer equipment	33⅓%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Notes to the Financial Statements

For the year ended 31st December, 2004

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life when the project is completed and put into commercial use.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated on the first-in, first out basis. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

Notes to the Financial Statements

For the year ended 31st December, 2004

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant leases.

Notes to the Financial Statements

For the year ended 31st December, 2004

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Retirement benefits scheme

Payments to the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

Related party

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

4. TURNOVER

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

	2004 HK\$'000	2003 HK\$'000
Sales of licensed software	2,956	2,761
Software maintenance	681	200
Software rental and subscription income	507	23
Putonghua learning platform	176	–
	4,320	2,984

5. SEGMENT INFORMATION

Business segments

As the Group is solely engaged in the development of server-based language technologies during the year, the assets and revenue of the Group as at the balance sheet date and during the year were solely deployed in and derived from this business segment. Accordingly, segmental analysis of information by business segment is not meaningful.

Notes to the Financial Statements

For the year ended 31st December, 2004

5. SEGMENT INFORMATION (CONTINUED)

Geographical segments

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:

	2004			Total HK\$'000
	Hong Kong HK\$'000	PRC HK\$'000	Others HK\$'000	
OPERATING RESULTS				
Turnover	4,186	92	42	4,320
Segment results	1,237	(672)	26	591
Unallocated corporate expenses				(9,541)
Loss from operations				(8,950)
Finance costs				–
Loss for the year				(8,950)

	2004		
	Hong Kong HK\$'000	PRC HK\$'000	Total HK\$'000
ASSETS & LIABILITIES			
Assets	6,061	118	6,179
Liabilities	3,598	32	3,630
OTHER INFORMATION			
Depreciation	296	–	296
Amortisation	258	–	258
Capital expenditure	319	56	375

Notes to the Financial Statements

For the year ended 31st December, 2004

5. SEGMENT INFORMATION (CONTINUED)

	2003			Total HK\$'000
	Hong Kong HK\$'000	PRC HK\$'000	Others HK\$'000	
OPERATING RESULTS				
Turnover	2,874	69	41	2,984
Segment results	1,181	28	17	1,226
Other operating income				47
Unallocated corporate expenses				(17,970)
Loss from operations				(16,697)
Finance costs				(11)
Loss for the year				(16,708)

	2003		
	Hong Kong HK\$'000	Others HK\$'000	Total HK\$'000
ASSETS & LIABILITIES			
Assets	7,852	6	7,858
Liabilities	4,819	–	4,819
OTHER INFORMATION			
Depreciation	224	–	224
Amortisation	357	–	357
Capital expenditure	906	–	906

Notes to the Financial Statements

For the year ended 31st December, 2004

6. LOSS FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Loss from operations has been arrived at after charging:		
Directors' remuneration (note 8)	1,670	2,249
Retirement benefit scheme contributions for other staff	153	116
Other staff costs	3,624	3,229
Total staff costs	5,447	5,594
Allowance for bad and doubtful debts	–	1,625
Amortisation of development expenditure included in direct costs	258	357
Auditors' remuneration	200	300
Depreciation	296	224
Impairment loss on development expenditure included in research and development expenses	81	2,170
Loss on disposal of property, plant and equipment	289	229
and after crediting:		
Interest income	–	7

Notes to the Financial Statements

For the year ended 31st December, 2004

7. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	–	7
Convertible notes	–	26
Loans from a shareholder, net of interest waived	–	(22)
	–	11

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

	2004 HK\$'000	2003 HK\$'000
Executive directors:		
Directors' fee	150	100
Salaries and other allowances	1,289	2,027
Retirement benefits scheme contributions	18	22
Non-executive director:		
Directors' fee	50	–
Salaries and other allowances	–	–
Retirement benefits scheme contributions	–	–
Independent non-executive directors:		
Directors' fee	163	100
Salaries and other allowances	–	–
Retirement benefits scheme contributions	–	–
Total emoluments	1,670	2,249

Notes to the Financial Statements

For the year ended 31st December, 2004

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Details of emoluments by individual are as follows:

	2004	2003
	HK\$'000	HK\$'000
Director A	950	1,372
Director B	407	727
Director C	50	50
Director D	50	50
Director E	50	50
Director F	50	–
Director G	50	–
Director H	25	–
Director I	25	–
Director J	13	–
	1,670	2,249

The above emoluments included operating lease rentals of HK\$480,000 (2003: HK\$480,000) paid for a director's quarter for the year ended 31st December, 2004.

(b) Employees

The five highest paid individuals included two (2003: two) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining three (2003: three) individuals, which fall within the band of nil to HK\$1,000,000 for each of the two years ended 31st December, 2004, are as follows:

	2004	2003
	HK\$'000	HK\$'000
Salaries and other benefits	1,018	1,082
Retirement benefit scheme contributions	30	29
	1,048	1,111

Notes to the Financial Statements

For the year ended 31st December, 2004

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Employees (Continued)

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors has waived any emoluments during the years of 2004 and 2003.

9. TAXATION

No provision for taxation has been made in the financial statements for the year ended 31st December, 2004 as the Group incurred a tax loss for the year.

The taxation can be reconciled to the loss per the income statement as follows:

	2004		2003	
	HK\$'000	%	HK\$'000	%
Loss for the year	(8,950)		(16,708)	
Tax at Hong Kong Profits				
Tax rate of 17.5%				
(2003: 17.5%)	(1,566)	(17.5)	(2,924)	(17.5)
Tax effect of expenses that are not deductible in determining taxable profit	496	5.5	508	3.0
Tax effect of income that is not taxable in determining taxable profit	(15)	–	(1)	–
Tax effect of unused tax losses not recognised	1,085	12.0	2,417	14.5
Taxation and effective tax rate for the year	–	–	–	–

Notes to the Financial Statements

For the year ended 31st December, 2004

10. DIVIDEND

No dividend has been paid or declared by the Company or any of its subsidiaries during the years ended 31st December, 2004 and 2003.

11. LOSS PER SHARE

The computation of the basic loss per share for the year is based on the loss for the year of approximately HK\$8,950,000 (2003: HK\$16,708,000) and on the weighted average number of 523,645,377 shares (2003: 478,464,789).

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

Notes to the Financial Statements

For the year ended 31st December, 2004

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Computer equipment HK\$'000	Total HK\$'000
THE GROUP				
COST				
At 1st January, 2004	444	255	684	1,383
Additions	157	97	121	375
Disposals	(444)	(13)	(9)	(466)
At 31st December, 2004	157	339	796	1,292
DEPRECIATION				
At 1st January, 2004	43	149	510	702
Provided for the year	135	56	105	296
Eliminated on disposals	(165)	(4)	(4)	(173)
At 31st December, 2004	13	201	611	825
NET BOOK VALUES				
At 31st December, 2004	144	138	185	467
At 31st December, 2003	401	106	174	681

Notes to the Financial Statements

For the year ended 31st December, 2004

13. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares at cost	3,162	3,162
Amounts due from subsidiaries	17,890	10,988
	21,052	14,150
Allowance for amounts due from subsidiaries	(15,920)	(6,000)
	5,132	8,150

Details of the Company's subsidiaries at 31st December, 2004 are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid up ordinary share capital	Proportion of ownership interest and voting power held		Principal activity	Principal place of operation
			Directly	Indirectly		
			%	%		
KanHan (BVI)	British Virgin Islands	US\$116,225	100	–	Investment holding	Hong Kong
KanHan Technologies Limited ("KanHan (HK)")	Hong Kong	HK\$200,000	–	100	Provision of communication software platforms	Hong Kong
China Rise Investment Limited	Hong Kong	HK\$1	–	100	Investment holding	Hong Kong
KanHan Technologies (China) Limited (廣州看漢科技有限公司)	PRC	HK\$1,000,000	–	100	Provision of communication software platforms	PRC

The amounts due from subsidiaries are unsecured and non-interest bearing. In the opinion of the directors, the amounts will not be repaid within the next twelve months from the balance sheet date. Accordingly, the amounts are classified as non-current assets.

None of the subsidiaries had any debt capital outstanding at the end of the year or at any time during the year.

Notes to the Financial Statements

For the year ended 31st December, 2004

14. DEVELOPMENT EXPENDITURE

	HK\$'000
THE GROUP	
COST	
At 1st January, 2004 and 31st December, 2004	3,492
AMORTISATION AND IMPAIRMENT	
At 1st January, 2004	3,153
Provided for the year	258
Impairment loss recognised	81
At 31st December, 2004	3,492
NET BOOK VALUES	
At 31st December, 2004	0
At 31st December, 2003	339

The development expenditure is amortised over the estimated useful lives of the projects of 3 years.

15. INVENTORIES

Inventories comprise finished goods and are stated at cost as at 31st December, 2004.

Notes to the Financial Statements

For the year ended 31st December, 2004

16. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables are trade receivables of approximately HK\$693,000 (2003: HK\$1,652,000), an aged analysis of which is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
0 – 30 days	157	1,111
31 – 60 days	242	347
61 – 90 days	66	7
Over 90 days	228	187
	693	1,652

17. AMOUNTS DUE FROM SHAREHOLDERS

The amounts were unsecured and non-interest bearing and were fully settled during the year ended 31st December, 2004.

18. FINANCIAL ASSISTANCE FROM GOVERNMENT

The Innovation and Technology Fund (“ITF”) of the HKSAR Government has provided financial assistance to the Group to assist in a specific product development. The funding is unsecured, non-interest bearing and repayable to ITF when revenue is generated from the specific product. The amount repaid, if any, will be in stages and calculated with reference to the revenue generated.

In the opinion of the directors, HK\$223,000 will be repayable to the ITF within the next twelve months from 31st December, 2004 by reference to the forecast revenue generated from the specific product. Accordingly, HK\$223,000 and HK\$1,196,000 are classified as current liability and non-current liability respectively.

Notes to the Financial Statements

For the year ended 31st December, 2004

19. SHARE CAPITAL

	Number of shares	Amount HK\$
Ordinary shares of HK\$0.01		
Authorised:		
At 1st January, 2003	39,000,000	390,000
Increase in authorised share capital on 15th January, 2003	1,961,000,000	19,610,000
	2,000,000,000	20,000,000
At 31st December, 2003 and 31st December, 2004		
	2,000,000,000	20,000,000
Issued and fully paid:		
At 1st January, 2003	100,000	–
Issue of shares upon Group Reorganisation	11,522,500	115,225
Issue of shares by way of capitalisation	408,377,500	4,083,775
Credited as fully paid from share premium	–	1,000
Issue of shares under the placing on 13th February, 2003	60,000,000	600,000
Issue of shares upon conversion of convertible notes	6,432,000	64,320
	486,432,000	4,864,320
At 31st December, 2003	486,432,000	4,864,320
Issue of shares under the placing on 14th August, 2004	97,286,400	972,864
	583,718,400	5,837,184
At 31st December, 2004	583,718,400	5,837,184

On 14th August, 2004, the Company completed the placement of 97,286,400 new shares to YesMobile at the subscription price of HK\$9,000,000. These new shares rank pari passu with the existing shares in all respects. The proceeds from these shares issued above have been used for working capital purpose.

Notes to the Financial Statements

For the year ended 31st December, 2004

20. SHARE OPTIONS

On 24th January, 2003, a new share option scheme was adopted by the Company pursuant to a written resolution of the Company (the "New Scheme").

The purpose of the New Scheme is to provide eligible employees with 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. The Board of Directors may, at its discretion, invite any full-time employee of the Company, including any executive and non-executive directors of the Company, or any subsidiaries of the Company to take up options to subscribe for shares of the Company. The options must be accepted within 28 days from the date of grant. The total number of shares of the Company available for issue under the New Scheme is 58,371,840 shares representing 10% of the issued share capital as at 31st December, 2004. The total number of shares of the Company issued and to be issued upon exercise of the options granted to a participant under the New Scheme and any other share option scheme adopted by the Company (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue from time to time.

An option may be exercised at any time during a period to be determined and notified by the Board of Directors to each participant. Options might be granted at a consideration of HK\$1. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

The subscription price for the shares of the Company will be a price determined by the Board of Directors and will be the highest of (i) the closing price of the shares on the GEM as stated in the Stock Exchange daily quotation on the date of the offer grant; (ii) the average closing price of the shares on the GEM as stated in the Stock Exchange daily quotations for the five trading days immediately preceding the date of the offer grant; and (iii) the nominal value of the shares. The New Scheme will be valid and effective for a period of 10 years commencing 24th January, 2003.

During the years of 2004 and 2003, no share options have been granted under the New Scheme.

Notes to the Financial Statements

For the year ended 31st December, 2004

21. RESERVES

	Share premium	Contributed surplus	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE COMPANY				
At 1st January, 2003	–	–	–	–
Arising from Group				
Reorganisation	–	3,047	–	3,047
Issue of shares by way of capitalisation	(4,085)	–	–	(4,085)
Issue of shares upon conversion of convertible notes	1,740	–	–	1,740
Issue of shares under the placing	19,200	–	–	19,200
Share issue expenses	(5,019)	–	–	(5,019)
Loss for the year	–	–	(8,855)	(8,855)
At 31st December, 2003	11,836	3,047	(8,855)	6,028
Issue of shares under the placing	8,027	–	–	8,027
Share issue expenses	(540)	–	–	(540)
Loss for the year	–	–	(11,521)	(11,521)
At 31st December, 2004	19,323	3,047	(20,376)	1,994

The contributed surplus of the Company arose from the Group Reorganisation on 15th January, 2003. The balance represents the difference between the nominal amount of the Company's shares issued and the consolidated shareholders' funds of KanHan (BVI).

The Company's reserves available for distribution to shareholders as at 31st December, 2004 represent the aggregate of share premium and contributed surplus less accumulated losses, amounting to approximately HK\$1,994,000 (2003: HK\$6,028,000).

Notes to the Financial Statements

For the year ended 31st December, 2004

22. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods.

	Accelerated tax depreciation	Development expenditure	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2003	25	459	(484)	–
(Credit) charge to income	(34)	(442)	476	–
Effect of change in tax rate	2	43	(45)	–
Net (credit) charge to income	(32)	(399)	431	–
At 31st December, 2003	(7)	60	(53)	–
Net charge (credit) to income	40	(60)	20	–
At 31st December, 2004	33	–	(33)	–

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2004	2003
	HK\$'000	HK\$'000
Deferred tax liabilities	33	53
Deferred tax assets	(33)	(53)
	–	–

At 31 December 2004, the Group has unused tax losses of approximately HK\$27,194,000 (2003: HK\$21,237,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$190,000 (2003: HK\$303,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$27,004,000 (2003: HK\$20,934,000) due to the unpredictability of future profit streams.

Notes to the Financial Statements

For the year ended 31st December, 2004

23. OPERATING LEASE COMMITMENTS

The Group made approximately HK\$761,000 (2003: HK\$758,000) minimum lease payments under operating leases during the year in respect of office premises and a director's quarter.

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of office premises and a director's quarter under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	835	611
In the second to fifth years inclusive	601	96
	1,436	707

Leases are negotiated for an average term of two years and rentals are fixed throughout the lease period.

The Company had no operating lease commitments at the balance sheet date.

24. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("Scheme") for all its qualifying employees. The assets of the Scheme are held separately from those of the Group in funds under the control of trustees. The Group contributes the lower of 5% or HK\$1,000 of the relevant payroll costs to the Scheme, which contribution is matched by employees.

The total cost charged to the income statement of approximately HK\$170,000 (2003: HK\$162,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31st December, 2004, contributions of approximately HK\$26,000 (2003: HK\$21,000) due in respect of the reporting period had not been paid over to the schemes.

Notes to the Financial Statements

For the year ended 31st December, 2004

25. RELATED PARTY TRANSACTIONS

The Group had significant transactions with related companies as follows:

Name of company	Nature of transactions	2004 HK\$'000	2003 HK\$'000
Messrs. Yuen & Partners	Legal fees paid (note a)	181	131
Yorkshire	Consultancy fee paid (note b)	290	490
Comeasy	Rental expense paid (note c)	480	480
Metrolink	Net interest expenses waived on advances (note d)	–	(22)
Timeless Strategy and its affiliate	Interest expenses paid on convertible notes (note d)	–	26
Timeless Strategy and its affiliate	Rental expenses paid (note d)	–	11

Notes:

- (a) Mr. Yuen Ka Lok, Ernest, the director of the Company, is a partner of Messrs. Yuen & Partners. These transactions were carried out in accordance with terms determined and agreed by both parties.
- (b) Ms. Wai Lai Yung, the director of the Company, has beneficial interests in Yorkshire. These transactions were carried out in accordance with terms determined and agreed by both parties.
- (c) Mr. Mo Wai Ming, Lawrence, the director of the Company, has beneficial interest in Comeasy. These transactions were carried out in accordance with terms determined and agreed by both parties.
- (d) The interest expenses and rental expenses are charged by reference to the prevailing market rates.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the annual general meeting of the shareholders of KanHan Technologies Group Limited (the "Company") will be held at 15/F., Sun House, 181 Des Voeux Road Central, Hong Kong, on Friday, 22nd April, 2005 at 10:00 a.m. for the following purposes:–

1. to receive and consider the audited financial statements and the reports of the Directors and auditors of the Company and its subsidiaries for the year ended 31st December, 2004;
2. to consider the retirement by rotation and re-election of Directors;
3. to appoint auditors and authorize the Directors to fix their remuneration; and

as special business, to consider and, if though fit, to pass the following resolutions ("Resolutions") as ordinary resolutions:

4. **THAT:**

- (a) subject to paragraph (c) of this Resolution, and pursuant to the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue; or (ii) the grant or exercise of any option under the share option scheme of the Company or any other option, scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement providing for

Notice of Annual General Meeting

the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the Articles of Association of the Company in force from time to time; or (iv) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any existing warrants of the Company or any existing securities of the Company which carry rights to subscribe for are convertible into shares of the Company, shall not exceed the aggregate of:

- (i) 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution; and
- (ii) (if the Directors are so authorized by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution).

and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

- (d) for the purpose of this Resolution:
 - (aa) "Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association of the Company, or any other applicable law of the Cayman Islands to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this Resolution.

Notice of Annual General Meeting

(bb) "Rights Issue" means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors to holders of shares in the Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognized regulatory body or any stock exchange applicable to the Company).

5. **THAT:**

- (e) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase its shares on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited or any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, The Stock Exchange of Hong Kong Limited or of any other stock exchange as amended from time to time and all applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (f) the aggregate nominal amount of shares of the Company which may be purchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
 - (i) for the purpose of this Resolution, "Relevant Period" shall have the same meanings as in Resolution no. 4(d)(aa).

Notice of Annual General Meeting

6. **THAT** the Directors be and they are hereby authorized to exercise the authority referred to in paragraph (a) of Resolution no. 4 set out in the notice convening this meeting in respect of the share capital of the Company referred to in sub-paragraph (ii) of paragraph (c) of such Resolution.

By Order of the Board
Au Shui Ming, Anna
Company Secretary

Hong Kong, 18th March, 2005

Principal Office:

15/F., Sun House
181 Des Voeux Road Central
Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a person or persons as his proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a shareholder of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company's Hong Kong branch share registrar and transfer office, Standard Registrars Limited G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting and in default thereof the form of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date of its execution.
3. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.