



# Jian ePayment Systems Limited

華普智通系統有限公司\*

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

## Third Quarterly Results Announcement For the nine months ended 30 September 2003

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

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

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*This announcement, for which the directors (the “Directors”) of Jian ePayment Systems Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this 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 only

## HIGHLIGHTS

- Turnover for the nine months ended 30 September 2003 was RMB2,796,000, representing a decrease of approximately 94% as compared to that for the corresponding period in 2002.
- Loss attributable to shareholders amounted to RMB12,876,000 for the nine months ended 30 September 2003.
- Basic losses per share amounted to RMB0.032 for the nine months ended 30 September 2003.

## RESULTS

The Board of Directors (“the Board”) of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the nine months and three months ended 30 September 2003 with comparative figures for the same period in 2002.

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2003 RMB'000 (unaudited)	2002 RMB'000 (unaudited)	2003 RMB'000 (unaudited)	2002 RMB'000 (unaudited)
Turnover and revenue	3	594	14,164	2,796	50,425
Cost of sales		(32)	(2,450)	(725)	(10,719)
Gross profit		562	11,714	2,071	39,706
Distribution expenses		(437)	(1,162)	(1,393)	(2,608)
Research and development costs		(1,627)	(510)	(2,396)	(1,430)
General and administration expenses		(2,989)	(3,556)	(11,788)	(10,123)
(Loss)/profit from operations		(4,491)	6,486	(13,506)	25,545
Subsidy income		–	–	1,416	410
Interest income		107	33	113	55
Interest expense		(151)	(127)	(899)	(445)
(Loss)/profit before taxation		(4,535)	6,392	(12,876)	25,565
Taxation	4	–	–	–	–
(Loss)/profit after taxation but before minority interests		(4,535)	6,392	(12,876)	25,565
Minority interests		–	(79)	–	(297)
(Loss)/profit attributable to shareholders		<u>(4,535)</u>	<u>6,313</u>	<u>(12,876)</u>	<u>25,268</u>
(Losses)/earnings per share	5				
– basic		<u>RMB(0.011)</u>	<u>RMB0.016</u>	<u>RMB(0.032)</u>	<u>RMB0.063</u>
– diluted		<u>N/A</u>	<u>RMB0.016</u>	<u>N/A</u>	<u>RMB0.063</u>

### 1. BASIS OF CONSOLIDATION

The Company was incorporated in the Cayman Islands on 30 November 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on GEM of the Stock Exchange since 10 December 2001.

The Company is an investment holding company. The Group is principally engaged in the development and operation of a back end electronic receipt/payment and data recording and processing software system (“Jian ePayment System”) and manufacturing and distribution of the associated commercial applications.

The consolidated financial statements of the Group include the accounts of the Company and the enterprises that it controls. This control is normally evidenced when the Group has the power to govern the financial and operating policies of an enterprise so as to benefit from its activities. The results of subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal. The equity and net income attributable to minority shareholders’ interests are shown separately in the Group’s balance sheet and income statement, respectively.

Significant intra-group transactions and balances have been eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

## 2. PRINCIPAL ACCOUNTING POLICIES

The unaudited quarterly financial statements have been prepared on a basis consistent with the accounting policies adopted by the Group in preparation of its financial statements for the year ended 31 December 2002.

The financial statements are prepared on historical cost convention and in accordance with the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong (“HK GAAP”), the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

## 3. TURNOVER AND REVENUE

Turnover represents gross invoiced sales (excluding value-added tax), net of discounts and returns.

Turnover consisted of:

	Three months ended		Nine months ended	
	30 September		30 September	
	2003	2002	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Sales of hardware and software	–	6,089	1,309	34,445
Provision of systems integration services	–	7,676	–	14,752
Transaction levies	594	399	1,487	1,228
	<u>594</u>	<u>14,164</u>	<u>2,796</u>	<u>50,425</u>

#### **4. TAXATION**

The companies comprising the Group are subject to income taxes on an entity basis on income arising in or derived from the tax jurisdiction in which they operate.

No provision for profits tax in the Cayman Islands, the British Virgin Islands or Hong Kong has been provided for as the Group has no assessable profit arising in or derived from those jurisdictions during the nine months ended 30 September 2003 (2002: Nil).

The Group's subsidiary, Zhengzhou Jian-O'Yuan ITS Systems Co. Ltd. ("Jian-O'Yuan"), was incorporated in the PRC as a privately owned limited liability company on 26th April, 1999. In July 2001, Jian-O'Yuan obtained the tax registration as an enterprise with foreign investment. Pursuant to the PRC laws of Enterprise Income Tax ("EIT") for Enterprises with foreign Investment and Foreign Enterprise, as a manufacturing enterprise with foreign investment. Jian-O'Yuan is entitled to full exemption from EIT for the first two years and a 50% reduction in the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years. The first profitable year of Jian-O'Yuan was 2002 and, Jian-O'Yuan is entitled to the EIT exemption from year 2002 and 2003 as an enterprise with foreign investment.

No EIT provision for the other two subsidiaries incorporated in the PRC, Beijing Jian ePayment Science and Technology Co., Ltd. and Wuhan Jian ePayment Science and Technology Co., Ltd., as they have no assessable profit during the nine months ended 30 September 2003.

There was no significant unprovided deferred taxation for the nine months ended 30 September 2003 (2002: Nil).

#### **5. (LOSSES)/EARNINGS PER SHARE**

The calculation of basic losses per share for the nine months ended 30 September 2003 is based on the loss attributable to shareholders of approximately RMB12,876,000 (2002: profit attributable to shareholders of approximately RMB25,268,000) and the weighted average number of 400,000,000 shares (2002: 400,000,000 shares) deemed to be in issue during the period.

No diluted earnings per share are presented for the nine months ended 30 September 2003 and 2002 because the exercise price of the Company's options was higher than the average market price of the Company's shares after the options were granted.

#### **6. DIVIDEND**

The directors do not recommend the payment of dividend for the period from 1 January 2003 to 30 September 2003 (2002: Nil).

## 7. RESERVES

	Share premium RMB'000	Capital reserve RMB'000	General reserve fund RMB'000	Enterprise expansion fund RMB'000	Cumulative translation adjustment RMB'000	Retained earnings RMB'000	Total RMB'000
<b>Consolidated (unaudited)</b>							
Balances, as at 1 January 2003	1,476	6,304	2,870	1,435	(8)	43,939	56,016
Foreign exchange adjustment	-	-	-	-	-	-	-
(Loss) attributed to shareholders	-	-	-	-	-	(12,876)	(12,876)
	<u>1,476</u>	<u>6,304</u>	<u>2,870</u>	<u>1,435</u>	<u>(8)</u>	<u>31,063</u>	<u>43,140</u>
Balances, as at 30 September 2003	<u>1,476</u>	<u>6,304</u>	<u>2,870</u>	<u>1,435</u>	<u>(8)</u>	<u>31,063</u>	<u>43,140</u>
Balances, as at 1 January 2002	1,476	6,304	1,362	681	5	21,865	31,693
Foreign exchange adjustment	-	-	-	-	(7)	-	(7)
Profit attributed to shareholders	-	-	-	-	-	25,268	25,268
	<u>1,476</u>	<u>6,304</u>	<u>1,362</u>	<u>681</u>	<u>(2)</u>	<u>47,133</u>	<u>56,954</u>
Balances, as at 30 September 2002	<u>1,476</u>	<u>6,304</u>	<u>1,362</u>	<u>681</u>	<u>(2)</u>	<u>47,133</u>	<u>56,954</u>

## FINANCIAL REVIEW

For the nine months ended 30 September, 2003, the Group's turnover amounted to RMB2,796,000. Loss attributable to shareholders for this period was RMB12,876,000.

The Group recorded RMB594,000 in revenue of Jian ePayment (華普智通) transaction levies in the third quarter, of which RMB393,000 levies was derived from Wuhan, representing 66% of the total revenue. As no new client launched an electronic roadside parking fee collection system, no revenue from roadside parking meter and system integration was recorded for the period while in the past, these revenues constituted the main source of the Group's revenue.

The Group made overall losses for this nine-month period of the year mainly because of a dramatic fall in sales revenue as compared with that of last year. General and administration expenses increased by 16% as compared with that of last year as a result of the expansion of the Group's operation. As the progress of parking fee collection projects conducted by the Group's clients in all cities was delayed, no new contract was signed for this nine-month period, leading to a decrease in business revenue and no sales revenue of parking system software and hardware as well as system integration was recorded. Meanwhile, the construction of a complete system of "One Card Multiple Uses" in Wuhan and the promotion of Jian ePayment "One Card Multiple Uses" system in Beijing as the Group's business priorities of the year to achieve substantial growth in transaction volume and amount of transaction levies, progressed slower than expected. As a result, revenue dropped but expenditure increased as compared with that of last year.

## **BUSINESS DEVELOPMENT**

The Group has been committed from the beginning to developing the Jian ePayment smart card system into a large scale electronic payment system accepted and used widely in China. The business goal of this year is to continue to build a mature system of “One Card Multiple Uses” in Wuhan first, realizing the economies of scale in the Jian ePayment system transaction volume and amount of transaction levies. During the third quarter, the Group concentrated on continuing to build the system of “One Card Multiple Uses” in Wuhan by utilizing substantial manpower and material resources. Meanwhile, the Group actively researched new application systems after the installation of the system for roadside parking, supermarket shopping, consumption in chain drugstores and convenience stores in the preceding year. The adoption of the Jian ePayment system on a trial basis in the sector of public services such as parks has already succeeded.

In the third quarter of the year, we expanded the use of the system to Beijing on the basis of the experience of operating the system in Wuhan. Instead of building a system with scattered networks, higher transaction costs and lower scale of economies as in Wuhan, the Group’s strategy in Beijing was to promote the ePayment application system to clients like large supermarkets and schools and for locations with high concentration of retailers. Pilot operation of the commercial smart card reader system in larger supermarkets is under way and some encouraging results have been shown. In the meantime, the Group is pushing ahead with its negotiations for cooperation with several prestigious Universities and key secondary schools. The application of Jian Smart Passes will soon be extended to “School Pass (校園一卡通)”. Our business team was also negotiating with sizable clients, property management operators of prime offices and apartments in Beijing in order to speed up the promotion of the Jian ePayment automatic vending system. We aim at gaining success on all fronts of our business by extending the uses of “School Pass”, commercial smart card reader system as well as automatic vending system and continual efforts are being made to promote the use of the system of Jian ePayment “One Card Multiple Uses” in Beijing.

In the third quarter of the year, the Group focused on promoting the system of Jian ePayment “One Card Multiple Uses” in Wuhan and Beijing, continued to enhance all the application systems and after sales service. The newly established System Service Department aims to provide operational technology support and user technology services to ensure that both existing and the new clients are satisfied with its technology services.

In the third quarter of the year, the number of terminal equipment remained unchanged, while the frequency of uses of single machine and transaction volume had increased. It is expected there will be an increase in the number of installation of the frequently used terminal equipment.

As at 30 September, 2003, the number of Jian Smart Passes issued had reached 470,000.

## **RESEARCH AND DEVELOPMENT**

The Group is actively involved in research and development of the commercial application of “One Card Multiple Uses” of the Jian ePayment smart card system. In the third quarter, in accordance with market demand, progress has been made in enhancing the existing systems, and new functions such as centralized supervision as well as wireless data communications are added, to the satisfaction of various cooperating merchant customers who are demanding multi and diversified applications of the Jian ePayment Systems, whilst meeting the changing needs of the card users in respect of applications.

The Group had started its work for the continuous enhancement and supplement of the Jian ePayment park and scenic spots fee collection sub-system and school campus comprehensive application system, both of which had been fully developed, so as to substantially complement the scope of applying the commercial application sub-system strenuously promoted by the Group in Wuhan.

In accordance with the market conditions, the Group's research and development centre concentrates on integrating and improving existing products in order to meet the requirement of various users such as automatic uploading and collecting of remote data, and to make good use of the resources of comprehensive data management systems constructed by the Group in Wuhan and Beijing in the preceding year.

As the Group's research and development department continued to enhance the system, it also cooperated with the China Unionpay Co. and other parties in respect of data security technology, such as the MAC security certification of data.

To cater for the needs of the cooperating customers and card users, the Group's research and development department launched targeted activities and services. As a result, good reputation was earned and the Jian ePayment Systems were expanded and applied on a larger scale.

## **SALES AND MARKET PROMOTION**

In pursuing expansion in the large- and medium-sized cities in China, the Group continued to promote the roadside car parking systems and other commercial fee collection systems of the Jian ePayment system to the municipal governments and commercial customers in China.

The Group continued its efforts in promoting the "One Card Multiple Uses" of the Jian ePayment system in Wuhan, and expanded the scope of applications of Jian ePayment system to park and scenic spots and school campus comprehensive management.

In the third quarter of the year, the Group continued to examine the use of "Wuhan Model" in the promotion channels, measures and methods to be adopted in Beijing. It had started negotiations with various commercial customers in Beijing in respect of the promotion and uses of the "One Card Multiple Uses" of the Jian ePayment system and satisfactory results were achieved.

## **PROSPECTS**

The Group will continue to open up markets for Jian ePayment System in the PRC for continual growth in the number of cities using Jian Smart Pass and expansion in the scope of applications of the Pass in each city, so that the number of cities using the Pass will be increased and the scope of commercial applications will be broadened, finally resulting in significant growth in the number of users, transactions and amount of levies.

In the third quarter of the year, losses incurred and business development of the Group was far from satisfactory as a result of the after effects of SARS. Nevertheless, the Directors still firmly believe that Jian Smart Passes will be the convenience cards widely and frequently held and used by residents of a number of Chinese cities. This is based on the fact that electronic payment by convenience card has become a trendy mode of consumption while at the same time the Jian Smart Pass has been well established in several Chinese cities and has made breakthrough development in Wuhan. The Directors also believe that the upcoming all-round development of system application will ultimately return profitability to the Group.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the nine months ended 30 September 2003, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

## DIRECTORS' INTEREST IN SHARES, WARRANTS AND SHARE OPTIONS

As at 30 September 2003, the interest of the Directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.40 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

### Aggregate long positions in shares and underlying shares

Director	Name of company	Class of shares	Number of shares hold			Aggregate percentage of long Position
			Personal interests	Family interests	Corporate interests	
Mr. Chin Ying Hoi	The Company	ordinary	2,000,000 underlying shares representing 0.5% of the shares then in issue (Note1)	–	286,800,000 shares representing 71.7% of the shares then issued (Note 2)	72.2% (Note 3)
Mr. Chin Ying Hoi	Union Perfect International Limited	ordinary	84 shares of US\$1.00 each representing 80% of the shares then in issue	–	–	

*Note 1:* These are the underlying shares of the Company in respect of which an option was granted to Mr. Chin Ying Hoi (details of which are set out below.) The percentage was calculated on the basis of 400,000,000 shares in issue as at 30 September 2003.

*Note 2:* These shares were held through Union Perfect International Limited, which is beneficially owned as to 80% by Mr. Chin Ying Hoi and as to 20% by Ms. Ya Zhen Quan, who is Mr. Chin Ying Hoi's mother.

*Note 3:* Based on 400,000,000 shares in issue on 30 September 2003.



## Aggregate long positions in underlying shares

### Unlisted physically settled equity derivatives

Pursuant to the Company's Share Option Scheme adopted by the Company on 19 November 2001, the following directors of the Company have personal interests in options to subscribe for ordinary shares in the Company of HK\$0.05 each which have been granted to them for a consideration of HK\$1 as follows:

Name of Director	Date of grant	Vesting Period and percentage of vested options (Note)	Exercise price per share	Outstanding number of share under option as at 30 September 2003
Mr Chin Ying Hoi	31 May 2002	50%	HK\$2.35	2,000,000
Mr. Liu De Fu	31 May 2002	50%	HK\$2.35	700,000
Mr. Guo Yan Hong	31 May 2002	50%	HK\$2.35	400,000
Mr Li Sui Yang	31 May 2002	50%	HK\$2.35	1,000,000
Ms Wang Yan	31 May 2002	50%	HK\$2.35	500,000
				<u>4,600,000</u>

Note: All options are exercisable to the extent of an additional 25 per cent at the beginning of every full year after the offer of the grant and they are exercisable in full until the fourth year after the offer of the grant. All options have a duration of 5 years from the date on which the offer of grant was made.

None of the above options were exercised, cancelled or lapsed during the nine months ended 30 September 2003.

Save as disclosed herein, at no time during the period was the Company, its subsidiaries or holding company a party to any arrangements to enable any of the Company's directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company.

## Aggregate short positions in underlying shares

### Unlisted physically settled equity derivatives

Name of Director	Name of Company	Number of shares in short position
Mr. Chin Ying Hoi	The Company	39,000,000 shares representing 9.75% of shares then issued. (Note)

Note: These shares in short position were represented by 35,000,000 options granted by the Company, with details shown in the section of "Share Option Granted" below and 4,000,000 shares which are convertible at an initial conversion price of HK\$2.50 per share under a HK\$10,000,000 convertible note issued by the Company.

Save as disclosed herein, none of the directors and chief executives or their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

## SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company adopted on 19 November 2001 (the “Share Option Scheme”), the Company may grant options to the participants of the Share Option Scheme to subscribe for shares of the Company. The participants include any employees (including directors) and certain consultants, suppliers or customers of the Group who, in the sole discretion of the board of directors or a duly authorised committee thereof (the “Board”), have contributed to the Group.

The overall limit on the number of shares which may be issued upon exercise of all options to be granted and yet to be exercised under the Share Option Scheme and other share option schemes must not, in aggregate, exceed 30% of the shares in issue from time to time.

Any option granted under the Share Option Scheme may be exercised at any time during a period which shall not be more than ten years after the date on which the option is granted.

The subscription price will be determined by the Board and will not be less than the highest of (i) the closing price of the shares quoted on the GEM on the grant date, (ii) the average closing price of the shares quoted on the GEM for the five business days immediately preceding the date of grant and (iii) the nominal value of the shares on the date of grant.

### Share Options Granted

Details of the share options outstanding as at 30 September 2003 which have been granted under the scheme are as follows:

	Options held at 1 January 2003	Options granted during the period	Options exercised during the period	Options held at 30 September 2003	Exercise Price	Grant Date	Exercisable from	Exercisable until	Closing price of the Company's share before date of grant
Directors	4,600,000	–	–	4,600,000	HK\$2.35	31 May 2002	31 May 2002	31 May 2007	HK\$2.35
Employees	14,200,000	–	–	14,200,000	HK\$2.35	31 May 2002	31 May 2002	31 May 2007	HK\$2.35
Consultants, suppliers or customers	13,200,000	–	–	13,200,000	HK\$2.35	31 May 2002	31 May 2002	31 May 2007	HK\$2.35
Consultants, suppliers or customers	3,000,000	–	–	3,000,000	HK\$2.03	16 Aug 2002	16 Aug 2002	16 Aug 2007	HK\$2.025
	<u>35,000,000</u>			<u>35,000,000</u>					

None of the above options were exercised, lapsed or cancelled during the nine months ended 30 September 2003.

The directors consider that it is not appropriate to state the value of all the share options that were granted for the nine months ended 30 September 2003 under the new share options scheme given that the variables which are critical for the calculation of the value of such share options cannot be determined. The variables which are

critical for the determination of the value of such share options included, the subscription price for the shares upon the exercise of the subscription rights attaching to the share options which may be adjusted under certain circumstances and whether or not such share options will be exercised by the grantees. In view of the length of the option period and the possibility that the subscription price and the number of shares that may be subscribed thereunder may be adjusted prior to the exercise of the subscription rights attaching to such share options, the Directors are of the view that the value of the share options depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical basis and speculative assumptions. Accordingly, the Directors believe that any calculation of the value of the options will not be meaningful and may be misleading to shareholders in the circumstances.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30 September 2003, the following substantial shareholder and person (other than a director or chief executive of the Company) who have interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

### **Aggregate long positions in shares**

<b>Name of Shareholder</b>	<b>Number of shares held</b>	<b>Percentage of shareholding</b>
Union Perfect International Limited	286,800,000	71.7%

### **Aggregate short position in underlying shares**

#### **Unlisted physically settled equity derivatives**

<b>Name of shareholder</b>	<b>Name of Company</b>	<b>Number of shares in short position</b>
Union Perfect International Limited	The Company	39,000,000 shares representing 9.75% of shares then issued. <i>(Note)</i>

Note: These shares in short position were represented by 35,000,000 options granted by the Company, with details shown in the section of "Share option granted" below and 4,000,000 shares which are convertible at an initial conversion price of HK\$2.50 per share under a HK\$10,000,000 convertible note issued by the Company.

Save as disclosed herein, no other person (other than a director or chief executive of the Company) and substantial shareholder has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## **COMPETING INTEREST**

None of the directors or management shareholders (as defined in the GEM Listing Rules) of the Company have any conflict of interest nor an interest in any business which competes with or may compete with the business of the Group.

## **SPONSOR'S INTEREST**

Oriental Patron Asia Limited (“Oriental Patron”), its directors, employee or associates (as referred in note 3 of rule 6.35 of the GEM Listing Rules) are interested in 13,200,000 shares of the Company and outstanding options of 3,000,000 underlying shares of nominal value of HK\$0.05 granted on 16 August 2002 at consideration and at an exercise price of HK\$2.03 per share as at 30 September 2003.

Pursuant to an agreement dated 26 November 2001 entered into between the Company and Oriental Patron, Oriental Patron is entitled to received a fee respect of the appointment by the Company as sponsor of the Company as required under the GEM Listing Rules for the period from 10 December 2001 to 31 December 2003.

## **BOARD PRACTICES AND PROCEDURES**

During the nine months ended 30 September 2003, the Company complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures.

## **AUDIT COMMITTEE**

An Audit Committee was established with written terms of reference in compliance with the requirements as set out in Rule 5.23 of the GEM Listing Rules. The primary duties of the audit committee are to review and provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises two independent non-executive directors, Mr. Zhang Xiao Jing and Ms. Tung Fong. The Group's unaudited consolidated results for the nine months and three months ended 30 September 2003 have been reviewed by the audit committee.

By order of the Board  
**Mr. Chin Ying Hoi**  
*Chairman*

Beijing, 13 November 2003

*This announcement will remain on the GEM website on the “Latest Company Announcement” page for at least seven days from the day of its posting.*