



# **CyberM International (Holdings) Limited**

**美域數碼國際(控股)有限公司**

*(Incorporated in Bermuda with limited liability)*

## **Results Announcement**

**For the six months ended 30th September, 2002**

### **Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “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.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. GEM listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

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

*This announcement, for which the directors of CyberM International (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, 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.*

## **SUMMARY**

- Turnover for the six months ended 30th September, 2002 amounted to HK\$6,023,000.
- Loss attributable to shareholders amounted to HK\$2,693,000 corresponding to a basic loss per share of HK1.08 cents.

## INTERIM RESULTS

The condensed unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30th September, 2002 together with the comparatives for the corresponding periods in 2001 are as follows:

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

	Note	Six months ended 30th September,		Three months ended 30th September,	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	2	6,023	8,191	3,644	3,337
Material and equipment		(1,708)	(1,778)	(1,047)	(1,226)
Staff costs		(4,170)	(6,354)	(1,895)	(3,279)
Depreciation of furniture and equipment		(340)	(438)	(165)	(224)
Amortisation of development expenditures		(708)	(214)	(354)	(107)
Reversal of provision for bad and doubtful debts		406	810	136	-
Other operating expenses		(2,226)	(4,099)	(1,106)	(2,443)
Loss from operation		(2,723)	(3,882)	(787)	(3,942)
Interest income		38	284	17	97
Interest expense		(8)	(25)	(3)	(10)
Loss before taxation		(2,693)	(3,623)	(773)	(3,855)
Taxation	3	-	-	-	37
Loss attributable to shareholders		<u>(2,693)</u>	<u>(3,623)</u>	<u>(773)</u>	<u>(3,818)</u>
(Loss) earnings per share	4				
- Basic		<u>(1.08 cents)</u>	<u>(1.45 cents)</u>	<u>(0.31 cents)</u>	<u>(1.53 cents)</u>
- Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

# CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>(Unaudited) 30th September 2002 HK\$'000</b>	<b>(Audited) 31st March 2002 HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Furniture and equipment		964	1,262
Investment property		1,500	1,500
Development expenditures		1,458	1,987
Long-term investments		580	580
		<u>4,502</u>	<u>5,329</u>
<b>CURRENT ASSETS</b>			
Inventories		753	644
Prepayment and deposits		942	820
Trade receivables	5	2,838	3,432
Cash and bank deposits		6,657	8,442
		<u>11,190</u>	<u>13,338</u>
Total current assets		<u>11,190</u>	<u>13,338</u>
<b>CURRENT LIABILITIES</b>			
Finance lease obligations, current portion		(94)	(158)
Trade payables	6	(644)	(800)
Accruals and other payables		(2,221)	(1,611)
Receipts in advance		(555)	(1,208)
		<u>(3,514)</u>	<u>(3,777)</u>
Total current liabilities		<u>(3,514)</u>	<u>(3,777)</u>
Net current assets		<u>7,676</u>	<u>9,561</u>
Total assets less current liabilities		<u>12,178</u>	<u>14,890</u>
<b>NON-CURRENT LIABILITIES</b>			
Finance lease obligations, non-current portion		(45)	(64)
Total non-current liabilities		<u>(45)</u>	<u>(64)</u>
Net assets		<u><u>12,133</u></u>	<u><u>14,826</u></u>
<b>Representing</b>			
Share capital		25,006	25,006
Reserves		5,268	5,268
Accumulated deficit		(18,141)	(15,448)
		<u><u>12,133</u></u>	<u><u>14,826</u></u>

## CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital HK\$'000	Share premium HK\$'000	Merger reserves HK\$'000	Cumulative translation adjustments HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st April, 2001	25,006	5,613	(341)	(27)	(3,224)	27,027
Translation adjustments	-	-	-	23	-	23
Loss for the year	-	-	-	-	(12,224)	(12,224)
At 31st March, 2002	25,006	5,613	(341)	(4)	(15,448)	14,826
Loss for the period	-	-	-	-	(2,693)	(2,693)
At 30th September, 2002	<u>25,006</u>	<u>5,613</u>	<u>(341)</u>	<u>(4)</u>	<u>(18,141)</u>	<u>12,133</u>

## CONDENSED CASH FLOW STATEMENT (UNAUDITED)

	<b>Six months ended 30th September,</b>	
	<b>2002</b>	<b>2001</b>
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(1,510)	(6,501)
Returns on investments and servicing of finance	29	259
Net cash outflow from investing activities	(221)	(662)
Net cash outflow before financing	(1,702)	(6,904)
Net cash outflow from financing activities	(83)	(302)
Decrease in cash and bank deposit	(1,785)	(7,206)
Cash and bank deposit, beginning of period	8,442	20,315
Cash and bank deposit, end of period	<u>6,657</u>	<u>13,109</u>

### 1 Basis of preparation

The Group's unaudited condensed consolidated accounts have been prepared in accordance with the Statements of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the disclosure requirements of the GEM Listing Rules. The same accounting policies and methods of computation are followed as compared with the most recent annual financial statements dated 21st June, 2002.

## 2 Turnover

The consolidated turnover of the Group consisted of:

	Six months ended 30th September, 2002		Three months ended 30th September, 2002	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fees for development of customized software and sales of related computer equipment	2,270	3,787	1,511	1,392
Sales and lease of packaged software	1,785	2,859	1,164	1,173
Fees for technical support and maintenance services	1,898	1,482	934	737
Rental income	70	63	35	35
	<u>6,023</u>	<u>8,191</u>	<u>3,644</u>	<u>3,337</u>

## 3 Taxation

No Hong Kong profits tax was provided for as the Group did not generate any assessable profits arising in or derived from Hong Kong for the six months ended 30th September, 2002. No provision for enterprise income tax in Mainland China was made as the subsidiary was in a loss position for the six months ended 30th September, 2002.

## 4 Loss per share

The calculation of basic loss per share is based on the loss attributable to the shareholders for the six months and three months ended 30th September, 2002 of respectively HK\$2,693,000 and HK\$773,000 (six months and three months ended 30th September, 2001: HK\$3,623,000 and HK\$3,818,000 respectively) and on the weighted average of 250,060,000 shares (2001: 250,060,000 shares) in issue.

No diluted loss per share is presented for the six months and three months ended 30th September, 2002 and 2001 as the outstanding share options were anti-dilutive.

## 5 An aging analysis of trade receivables (consolidated) is as follows:

	(Unaudited) 30th September 2002	(Audited) 31st March 2002
	HK\$'000	HK\$'000
Within three months	1,504	2,084
Over three months but within six months	178	452
Over six months but within one year	749	2,041
Over one year but within two years	1,590	454
	<u>4,021</u>	<u>5,031</u>
Less: Provision for bad and doubtful debts	<u>(1,183)</u>	<u>(1,599)</u>
	<u>2,838</u>	<u>3,432</u>

The Group normally grants to its customers credit periods for sales of goods ranging from 0 to 14 days. Consideration in respect of contracts for development of customized software, sales of related computer equipment, sales and lease of packaged software, the provision of technical support and maintenance services is payable pursuant to the terms of the respective contracts. Rentals in respect of leased properties are payable by tenants on a monthly basis.

**6 An aging analysis of trade payables (consolidated) is as follows:**

	<b>(Unaudited)</b> <b>30th September</b> <b>2002</b> HK\$'000	<b>(Audited)</b> <b>31st March</b> <b>2002</b> HK\$'000
Within three months	576	570
Over three months but within six months	27	75
Over six months but within one year	41	155
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	<b>644</b>	<b>800</b>
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**DIVIDEND**

The board of directors of the Company does not recommend payment of dividend for the six months ended 30th September, 2002 (six months ended 30th September, 2001: Nil).

**MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months ended 30th September, 2002, the Group's turnover was approximately HK\$3,644,000, slightly increased from corresponding period in last year. Loss attributable to shareholders decreased by 80% to HK\$773,000 (2001: HK\$3,818,000) which reflect the success of the Group's cost controlling plan. Besides, the Group is strengthening its sales forces and marketing functions to create more sales and capture larger market share.

As at 30th September, 2002, the Group had contracts on hand for sales amounting to approximately HK\$3.0 million (31st March 2002: HK\$2.7 million), which will be booked as revenue upon delivery and implementation of the relevant products.

## Segment information

### A. Primary segment

The Group is organized into four major operating units: (i) development of customized software and sales of related computer equipment; (ii) sales and lease of packaged software; (iii) technical support and maintenance services; and (iv) lease of property. An analysis by business segment is as follows

	Six months ended 30th September,	
	2002	2001
Turnover	HK\$'000	HK\$'000
Development of customised software and sales of related computer equipment	2,270	3,787
Sales and lease of packaged software	1,785	2,859
Technical support and maintenance services	1,898	1,482
Lease of property	70	63
	<u>6,023</u>	<u>8,191</u>

There were no inter-segment sales for the six months ended 30th September, 2002 and 2001.

### Loss from operations

Development of customised software and sales of related computer equipment	11	219
Sales and lease of packaged software	(686)	(806)
Technical support and maintenance services	(616)	(920)
Lease of property	70	63
Unallocated corporate expenses	(1,502)	(2,438)
	<u>(2,723)</u>	<u>(3,882)</u>

### B Secondary segment

The Group has business operations in the Mainland China and Hong Kong. An analysis by geographical location is as follows:

	Six months ended 30th September,	
	2002	2001
Turnover	HK\$'000	HK\$'000
Hong Kong	5,835	8,191
Mainland China	188	-
	<u>6,023</u>	<u>8,191</u>
Loss from operation		
Hong Kong	(1,886)	(3,044)
Mainland China	(837)	(838)
	<u>(2,723)</u>	<u>(3,882)</u>



### New products

Research and development has long been the Group's focus. The Group believes that keeping pace with the market trends and technological advancement is the only way to equip the Group to meet the challenges ahead. During the period under review, several new products have been completed and launched or ready to be launched to the market:

#### *M-Plus System*

A new kind of mobile electronic payment system, M-Plus System, makes use of the latest wireless technology and Hong Kong's most widely used contactless smart card system – "Octopus". The new system allows retailers to process sales transactions anywhere inside or outside of a shop.

#### *Retail Kiosk System*

A touch screen Retail Kiosk System, with "Octopus" function, offers many advantages over conventional POS (Point of Sale) systems. User-friendly and easy to install, this kiosk system allows customers to make purchases which can then be redeemed with a receipt printed out by the kiosk. Sales data captured by the kiosk will be updated via a LAN (local area network) or Wireless LAN to the backend server. The system helps reduce customers' queuing time especially during the rush hours.

#### *SchoolPlus Message System*

A new bulk message dispatch feature in the SchoolPlus system, a campus "Octopus" card system, allows messages such as school notices, reminders, as well as information concerning individual student, to be sent to the parents on their mobile phones using Short Messages Services (SMS).

The Group's products are specifically tailored to meet the changing market needs. The Group believes that the products will be well received by the market.

### Financial Resources and Liquidity

As at 30th September, 2002, the Group has cash and bank balance of approximately HK\$6,657,000. The Group's current assets are approximately 3.18 times (31st March 2002 : 3.5 times) over its current liabilities. For the period under review, the Group was financed on its own working capital. The gearing ratio which represents long-term liabilities divided by shareholders funds, still maintained at a very low level of 0.37% (31st March 2002 : 0.43%). As at 30th September, 2002, the Group has no contingent liabilities, commitments, plan for material investment or capital assets or any charges on its assets.

### Foreign currency exposure

The reporting currency adopted by the Group is Hong Kong dollars. As most of the Group's sales, expenditures, assets and liabilities were denominated in Hong Kong dollars, the Group's exposure to foreign currency fluctuation is minimal and therefore, no hedging against foreign currency exposure is considered necessary.

## Employees

As at 30th September, 2002, the Group has 57 employees (2001: 71) in Hong Kong and Guangzhou. The total remuneration to employees, including to the executive directors, for the six months ended 30th September, 2002 amounted to approximately HK\$4.18 million (2001: 6.78 million). Employees in Hong Kong are also entitled to provident fund contributions, medical coverage and share options. For employees in Guangzhou, the Group is required to contribute to a state-sponsored retirement plan for them at certain prescribed rates of their basic salaries. Besides, the Group provided comprehensive on-the-job trainings to its staff and also subsidized those taking part in job-related training courses to keep the services up to standard.

## Acquisition and disposal

There was no material acquisition and disposal during the six months ended 30th September, 2002. As at 30th September, 2002, the Group has no material investment held.

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

### **Key Business Objectives For The Six Months Ended 30th September, 2002**

#### *Revenue and Business Development*

Continue the business development activities from the previous six months ended 31st March, 2002.

Subject to the setting up of the relevant joint venture(s), conduct marketing campaign in Eastern China on its CyberM Business Series and CyberM Mobile Series, Internet-based CyberM Retail System and the B2B enterprise portal.

### **Actual Business Progress**

#### Hong Kong

Besides packaged products fit for SMEs, the Group focuses on developing products make use of the latest wireless technology and Octopus smart card system which provide greater flexibility to businesses.

#### Taiwan

Due to the volatile conditions of the region, the Group has put its plan on hold until the market conditions improved.

#### The PRC

The development and customer service center in Guangzhou is running smoothly and plays an important role in serving the increasing number of customers in the Mainland China.

The Group is working with an experienced IT solution provider to promote the Group's product in the Eastern China market. During the period under review, the One-Shop POS system has been successfully launched in Shanghai.

Subject to the feasibility studies of the Eastern China market and the setting up of the relevant joint venture(s), establish a customer service system in Eastern China.

Instead of establishing a customer service team in the Eastern China, the Group has strengthened its service team in Guangzhou. The Group believes that, at the current stage, it is more cost effective to have one strong customer service team serving all the customers in the Mainland China.

### *Products and Services*

Continue the products and services activities from the previous six months ended 31st March, 2002.

The SchoolPlus Message System which disseminates students information such as attendance records to their parents or guardians through SMS offered by mobile network operators has been launched in September 2002.

Subject to the setting up of the relevant joint venture(s), launch CyberM Business Series and CyberM Mobile Series in Eastern China.

The Group is working with an experienced IT solution provider to promote the Group's products in the Eastern China market. During the period under review, the One-Shop POS system has been successfully launched in Shanghai.

Subject to the setting up of the relevant joint venture(s), research and develop interface with banks, shipping companies and / or freight forwarders in Northern China.

The Group has discussed with several local (in certain Northern China regions) IT companies, however, no agreement has come up with. The Group is still looking for a suitable partner for the joint ventures.

Launch Internet-based CyberM Retail System in Hong Kong

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Due to the low rate of acceptance of ASP, the development of ASP has slowed down until the concept of do business on-line is more widely accepted and efficiency of the network infrastructure has been improved. By then, ASP would be more popular.

### *R&D*

Continue the R & D activities from the previous six months ended 31st March, 2002.

During the period under review, the group focuses on developing products make use of the latest wireless technology and Octopus smart card system. Two of the products (M-Plus and Retail Kiosk) have been completed and ready to be launched to the market.

Carry out research on the feasibility of the development of industry-specific vertical B2B eBusiness solutions on an ASP approach for selected industries in the Greater China Region.

Due to the low rate of acceptance of ASP, the development of ASP has slowed down until the concept of doing business on-line is more widely accepted and efficiency of the network infrastructure has been improved. By then, ASP would be more popular.

## *Expansion and Business Alliance*

Continue the expansion and business alliance activities from the previous six months ended 31st March, 2002

Establish new alliances with ASP(s) to host and promote CyberM Business Series and CyberM Mobile Series in Eastern China.

Subject to the setting up of the relevant joint venture(s), explore alliance opportunities local bodies and organizations in Eastern China to promote CyberM Business Series and CyberM Mobile Series.

Subject to the setting up of the relevant joint venture(s), establish an office in Beijing as the regional headquarter in Northern China.

Subject to the setting up of the relevant joint venture(s), establish local customer services team(s) and sales office(s) in Northern China.

The Group has engaged a business partner which is experienced in the beauty consulting industry in China to promote and enhance the CyberM Beauty and Salon Management System.

Due to the low rate of acceptance of ASP, the development of ASP has slowed down until the concept of doing business on-line is more widely accepted and efficiency of the network infrastructure has been improved. By then, ASP would be more popular.

The Group is working with an experienced IT solution provider to promote the Group's products in the Eastern China market. During the period under review, the One-Shop POS system has been successfully launched in Shanghai.

The Group is reconsidering the plan of setting up the regional headquarter, a local customer service team and sales office in the Northern China because no suitable partner identified so far. Instead, the Group has strengthened its service team in Guangzhou and has liaised with other experienced IT solution providers to promote the Group's products. The Group believes that, such measures are more cost effective at the current stage.

## **USE OF PROCEEDS**

The net proceeds from the public listing had been applied in the following areas:

### **For the six months ended 30th September, 2002**

	<b>Budgeted</b> HK\$ million	<b>Actual</b> HK\$ million
R&D in the technology, new functions and customisation of B2B ebusiness solutions	0.35	0.39
Promotion of CyberM Business Series (note 1)	-	0.27
R&D in the new functions and customisation of mobile and wireless mobile computing technologies (note 1)	-	0.59
Promotion of CyberM Mobile Series (note 1)	-	0.18
Expand into the Greater China Region (note 2)	0.50	0.73
	<u>0.85</u>	<u>2.16</u>

Notes: The significant variation from the budget is due to:

- 1 Resources were spent on developing and promoting new streams of CyberM Business Series (such as the Retail Kiosk System, SchoolPlus Message System) and CyberM Mobile Series (like the M-Plus System) as the Group has identified the emerging needs in the market.
- 2 More funding was injected to the Group's office in Guangzhou for the expanded customer service and R&D teams.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30th September, 2002, the following Directors of the Company had or were deemed to have interests in the equity securities of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance or otherwise notified to the Company pursuant to the minimum standards of dealings by the Directors as referred to in Rules 5.40 to 5.59 of the GEM Listing Rules:

Name of Director	Type of Interest	Number of shares	Percentage of shareholding (%)
Lau Chiu Pui (Mr. Lau)	Discretionary trust ( <i>Note</i> )	191,250,000	76.48%
Lai Shu Pui, Fergus (Mr. Lai)	Discretionary trust ( <i>Note</i> )	191,250,000	76.48%
Wong Kit Mei (Mr. Wong)	Discretionary trust ( <i>Note</i> )	191,250,000	76.48%

*Note: The 191,250,000 shares in the Company are beneficially owned by and registered in the name of Noble Class Group Limited. The entire issued share capital in Noble Class Group Limited is in turn held by Sunrise International (Holdings) Limited ("Sunrise"), a company incorporated in the Cayman Islands. Mr. Lau and his spouse, Mr. Lai, Mr. Wong, Mr. Fung Yiu Fai (Mr. Fung) and Mr. Yip Ho Pong (Mr. Yip) (both Mr. Fung and Mr. Yip were executive directors of the Company whose respective resignation became effective from 18th July, 2001 and 7th August, 2002) are the holders of all the issued non-voting redeemable and retractable preferred shares of Sunrise with the rights to a fixed 5% cumulative dividend and redemption at fixed redemption prices in the aggregate amount of HK\$9 million only. All the issued ordinary shares of Sunrise are held by Arawak Trust Company Limited, a corporate trustee of a discretionary trust, the discretionary objects of which include:*

- (i) *Prophecy Associates Limited \**
- (ii) *Mr. Yip, his spouse, their issue and the spouses of their issue \*\**
- (iii) *Mr. Lai, his spouse, their issue and the spouses of their issue \*\**
- (iv) *Mr. Wong, his spouse, their issue and spouses of their issue \*\**
- (v) *Mr. Fung, his spouse, their issue and the spouses of their issue \*\**
- (vi) *Mr. Chan Wing Fuk, his spouse, their issue and the spouses of their issue \*\**

*The discretionary trust described above is subject to a non-binding arrangement that any distribution of trust funds will be in the following proportions:*

<b><i>Discretionary objects</i></b>	<b><i>Proportion</i></b>
<i>Prophecy Associates Limited *</i>	86.68%
<i>Mr. Yip (upon his death, his spouse, and upon the death of Mr. Yip and his spouse, their children)</i>	3.33%
<i>Mr. Lai (upon his death, his spouse, and upon the death of Mr. Lai and his spouse, their children)</i>	3.33%
<i>Mr. Wong (upon his death, his spouse, and upon the death of Mr. Wong and his spouse, their children)</i>	3.33%
<i>Mr. Fung (upon his death, his spouse, and upon the death of Mr. Fung and his spouse, their children)</i>	3.33%

\* *All the issued ordinary shares of Prophecy Associates Limited are held by AMS Trustees Limited, a corporate trustee of a discretionary trust, the discretionary objects of which are the lineal descendants of the paternal and maternal grandfathers of Mr. Lau and his spouse and their respective spouses but exclude, inter alia, residents of Canada.*

\*\* *The families of Mr. Lau, Mr. Yip, Mr. Lai, Mr. Wong, Mr. Fung and Mr. Chan Wing Fuk as described above are not relatives of each other. Mr. Chan Wing Fuk is the godfather of Mr. Lau's spouse.*

*Each of Mr. Lau, Mr. Lai, Mr. Wong, Mr. Fung and Mr. Yip is therefore taken to have an interest in the 191,250,000 shares held by Noble Class Group Limited under the SDI Ordinance.*

Save as disclosed above, none of the directors, chief executives or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES AND OPTIONS GRANTED**

The Company adopted a share option scheme on 1st August, 2000, pursuant to which it may grant options to full-time employees of the Group and including executive directors of the Company to subscribe for shares in the Company. As at 30th September, 2002, certain options had been granted to the following executive directors and full-time employees:

<b>Grantee</b>	<b>Date of grant</b>	<b>Exercise price HK\$</b>	<b>Exercise period</b>	<b>No. of ordinary shares eligible for subscription under the share options</b>	<b>Type of interest</b>
<u>Executive Directors</u>					
Lai Shu Pui, Fergus	4th September, 2000	1.18	4th September, 2000 to 3rd September, 2010	1,000,000	Personal
Wong Kit Mei	4th September, 2000	1.18	4th September, 2000 to 3rd September, 2010	1,000,000	Personal
<u>Other participants</u>					
Full time employees	4th September, 2000	1.18	4th September, 2000 to 3rd September, 2010	7,600,000 <sup>Note</sup>	

Note: Mr. Yip Ho Pong resigned as an executive director of the Company on 7th August, 2002 but remain a full time employee of the Group. The options to subscribe for 1,000,000 and 60,000 shares in the Company respectively granted to him and his wife (who is also a full time employees of the Group), were included in those options granted to full time employees.

Save as disclosed above, none of the options granted to the executive directors had been exercised or cancelled.

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

Save as disclosed above, none of the Directors or 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.

## **SUBSTANTIAL SHAREHOLDERS**

Other than the interests as disclosed above in respect of the Directors and their associates, as at 30th September, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following substantial shareholders' interests, being 10 percent or more of the Company's issued share capital.

<b>Name</b>	<b>Number of shares held</b>	<b>Percentage of shareholdings (%)</b>
Noble Class Group Limited	191,250,000	76.48%*
Sunrise International (Holdings) Limited	191,250,000	76.48%*
Arawak Trust Company Limited	191,250,000	76.48%*
Fung Yiu Fai	191,250,000	76.48%*
Yip Ho Pong	191,250,000	76.48%*

\* Duplication, all shareholdings are under a discretionary trust as stated above.

Save as disclosed above, no other person was recorded in the register pursuant to Section 16(1) of the SDI Ordinance as having an interest in ten per cent or more of the issued share capital of the Company as at 30th September, 2002.

## **COMPETING INTERESTS**

None of the directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

## **SPONSOR'S INTEREST**

As updated and notified by the Company's sponsor, Core Pacific – Yamaichi Capital Limited (“Core Pacific – Yamaichi”), neither Core Pacific - Yamaichi nor its directors, employees or associates had any interest in the share capital of the Company as at 30th September, 2002 pursuant to Rules 6.35 and 18.63 of the GEM Listing Rules.

Pursuant to the agreement dated 11th August, 2000 entered into between the Company and Core Pacific - Yamaichi, Core Pacific - Yamaichi has received and will receive a fee for acting as the Company's retained sponsor for the period from 17th August, 2000 to 31st March, 2003 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

## **AUDIT COMMITTEE**

The Company established an audit committee on 1st August 2000 with written terms of reference in compliance with the requirements as set out in Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises the two independent non-executive directors and an executive director. Mr. Yip Ho Pong, for personal reasons, resigned as an executive director and member of the audit committee of the Company on 7th August 2002 and Mr. Wong Kit Mei, an existing



executive director, was appointed on the same date as a member of the audit committee. The Group's unaudited results for the six months ended 30th September, 2002 have been reviewed by the audit committee. Members of the committee were of the opinion that the preparation of such results complied with applicable accounting standards, requirements of the Exchange and legal requirements and that adequate disclosures had been made.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the six months ended 30th September, 2002, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

## **BOARD PRACTICES AND PROCEDURES**

Throughout the six months ended 30th September, 2002, the Company has complied with rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures. None of the independent non-executive directors have been paid any fees or other reimbursements or emoluments during the period.

On behalf of the Board

**Lau Chiu Pui**

*Chairman*

12th November, 2002, Hong Kong

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcement" page for seven days from the day of its posting.*