



hkcyber.com (Holdings) Limited
Cyber 日報 (控股) 有限公司*
(Incorporated in the Cayman Islands with limited liability)

HALF-YEARLY REPORT

For the six months ended 30 September 2000

** For identification purpose only*

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.

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 Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange 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 hkcyber.com (Holdings) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to hkcyber.com (Holdings) Limited. 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.

HIGHLIGHTS

- The Group's unaudited turnover for the first six months ended 30 September 2000 amounted to HK\$4,881,000.
- The Group recorded unaudited loss attributable to shareholders of HK\$34,161,000 in the same period as a result of expenditures on content development, technological enhancement and brand building activities.
- Cost cutting measures have been instituted and the effect on the reduction of recurring operating expenses will be observed in the next quarter.
- The Group began providing its content to WAP phone users in June 2000.
- The Group was listed on GEM of the Stock Exchange on 31 July 2000.
- The new Skyauction channel was successfully launched on 15 September 2000.
- The Group entered into a joint venture agreement with Show8 Cyber Media Limited on 11 October 2000 for the operation of the website "www.show8.com" which focuses on entertainment.

CHAIRMAN'S STATEMENT

I am pleased to present the unaudited combined results of hkcyber.com (Holdings) Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30 September 2000.

During the past six months, under the tireless efforts of all the staff and the support of the shareholders, the Group was successfully listed on the GEM on 31 July 2000. Our contents have increased in breadth and depth, and our portals have started to generate revenue since April 2000. On behalf of the board of directors of the Company, I express my sincere gratitude to all our staff and shareholders.

Our portals have become one of the most popular online community in Hong Kong, which is our principal objective as set out in the listing document. At the moment, the Group's financial and market position has never been better. Our cash balance exceeds HK\$100 million. Revenue is increasing in quantity and diversity.

FINANCIAL REVIEW

The Group's unaudited combined turnover for the three months ended 30 September 2000 amounted to HK\$2,650,000. As the Group is still in the early stage of development, loss attributable to shareholders of HK\$17,753,000 for the same period was reported as a result of substantial amounts being spent on technical enhancement, content and e-business development, and promotion and marketing activities.

BUSINESS REVIEW

Content Development

The Group's website is hosting thirteen channels as at 30 September 2000. The variety of content was enhanced by the introduction of interactive fortune telling and live programmes. The fortune telling channel has been significantly enhanced by hosting the personal homepage of the respected Wing Sing Master. Live programmes are being broadcasted from morning to mid-night, Monday to Saturday. These programmes include news reporting, talk shows, drama series and auction. The Group will also be introducing Video on Demand ("VOD") starting November 2000.

Technical development

The Group has strived to be innovative. Our goal is to align business strategies, process, and applications swiftly and all at once. During the six months' period about 5.5 million were invested in computer hardwares and softwares. The majority portion of which were spent on purchase of web servers, application and database servers for streamline of video quality, operation of Skyauction platform and service of large scale web mail (which could handle up to 200,000 members daily mails). These investments also improved our web site high availability and security control.

Brand building

Recognising the internet industry is brand intensive, substantial marketing and promotional activities were carried out by the Group during the six months ended 30 September 2000 to enhance the Group's brand recognition. Events such as our participation in the 16th International Computer Expo, sponsorship of the Ocean Park Conservation Foundation Charity Ball, Skyauction roadshow in Time Square and the CyberDaily Oscar Golf League are successful. The provision of our contents through Hutchison's WAP gateway has expanded our users' base. These were the Group's effort to obtain more profits from fewer assets.

Business Services

Our goal is to create value for our viewers and customers. Our business design is aimed at inventing and delivering value, and creating unique and memorable experiences for our viewers and clients. We have constantly carried out self-diagnosis in pursuit of service excellence, operational excellence and continuous innovation.

Recognising the customer push for self-service, our design of infrastructure and protocols are geared towards viewers. Round-the-clock updating and availability of information and interactive games are realisation of the self-service concept, which in turn improves our portals' attractiveness and stickiness. To provide convenient delivery service for our e-commerce customers, the Group has set-up a number of outlet points for customers to pick up their purchases.

Our team of information technology specialists is offering customers services on internet strategy formulation, web page design, hosting and maintenance. Leveraging on our brandname, the Group expects significant growth in this segment.

Advertising Income

The Group started generating advertising revenue since April 2000. Our advertising clients include Orange, Carlsberg, Siemens, Xin Kwong Restaurant, Hewlett Packard and Legend Expert Systems. We have strengthened our marketing team in order to source more clients. We work closely and flexibly with our advertising clients and exploit our portal facilities in support of promotional events held by some of our advertising clients such as Xin Kwong Restaurant Beverage and Food Festival.

Content licensing

The Group has begun licensing its own produced programmes since June 2000. Our audio and video team has been strengthened with advanced equipment so as to turn out more high quality productions. We anticipate more licensing agreements to be signed in the next quarter.

Joint Venture with Show 8 Cyber Media Limited

As disclosed in the announcement of the Company on 13th October, 2000, Cyber Peak Development Limited (“Cyber Peak”), which is a wholly-owned subsidiary of the Company, entered into an agreement (the “Agreement”) with Show8 Cyber Media Limited on 11 October 2000 for the establishment of a joint venture to operate the website “www.show8.com” which focuses on entertainment. Upon completion of the Agreement, Cyber Peak holds 60% of the issued share capital of the joint venture. The new website “www.show8.com” provides information on entertainment and leisure, which is different from the Group’s existing contents of entertainment and leisure provided at “yulok.hkcyber.com”.

FUTURE PLANS AND DEVELOPMENT

The internet industry is highly competitive. The Group is aware that innovation and constant creation of value is necessary to keep us in business. Exciting content and services have been scheduled for the next quarter such as VOD thereby viewers are able to subscribe movies with quality of DVD on demand. Opportunities are abound for venturing into overseas markets. We shall contain cost through integration of functions, strategic alliances and synergistic acquisition. We shall also create more revenue streams to improve the value of the Group.

Wong Yuk Man

Chairman

Hong Kong, 13 November 2000

QUARTERLY RESULTS

The board of directors (the “Board”) of hkcyber.com (Holdings) Limited (the “Company”) is pleased to announce the unaudited combined results of the Company and its subsidiaries (the “Group”) for the three and six months ended 30 September 2000 together with the comparative figures for the corresponding period in 1999 as follows:

	Notes	Three months ended		Six months ended	
		30 September,		30 September,	
		2000	1999	2000	1999
		HK\$000	HK\$000	HK\$000	HK\$000
Turnover	2	<u>2,650</u>	<u>0</u>	<u>4,881</u>	<u>0</u>
Cost of sales		(201)	0	(201)	0
Interest income		1,584	0	1,883	0
Other revenue		7	0	31	0
Content right		0	(3,000)	0	(3,000)
Operating expenses		(10,356)	(1)	(19,166)	(1)
Administrative expenses		(10,897)	(528)	(19,625)	(542)
Depreciation		(528)	(7)	(952)	(11)
Donation		(12)	0	(1,012)	0
Operating loss before taxation		<u>(17,753)</u>	<u>(3,536)</u>	<u>(34,161)</u>	<u>(3,554)</u>
Taxation	3	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Loss after taxation, attributable to shareholders and accumulated for the period		<u>(17,753)</u>	<u>(3,536)</u>	<u>(34,161)</u>	<u>(3,554)</u>
Loss per share	4	<u>1.4202 Cents</u>	<u>0.2829 Cents</u>	<u>2.7329 Cents</u>	<u>0.2843 Cents</u>

Notes:

1. Basis of presentation

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company on 14 April 2000. The Company's shares have been listed on GEM of the Stock Exchange since 31 July 2000.

Pursuant to a group reorganisation (the "Reorganisation") which took place on 17 July 2000 to rationalise the structure of the Group in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company became the ultimate holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 21 July 2000. The results of the Group comprise the results of all companies now comprising the Group as if the current group structure had been in existence throughout the periods, or since their dates of incorporation where this is a shorter period.

The principal accounting policies adopted in preparing the unaudited combined results conform with accounting principles generally accepted in Hong Kong.

2. Turnover

Turnover represents income of advertising service, content licensing, information technology service and e-business during the period.

3. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Group did not generate any assessable profits during the period and the corresponding period in 1999.

No deferred tax asset has been recognised in respect of tax loss available to offset future profits as it is not certain that the tax loss will be utilised in the foreseeable future.

4. Loss per share

The calculation of the basic loss per share for the six months ended 30 September 2000 is based on the unaudited combined loss attributable to shareholders of approximately HK\$34,161,000 (1999: approximately HK\$3,554,000) and the weighted average number of 1,250,000,000 (1999: 1,250,000,000) ordinary shares outstanding. The 1,250,000,000 ordinary shares outstanding as a result of the Group's Reorganisation prior to its initial public offering of its shares in July 2000, are included in the calculation of the weighted average number of shares as if those shares had been in issue since 1 April 1999.

Diluted loss per share for the three and six months ended 30 September 2000 is not shown as the effect of dilutive potential ordinary shares during the period is anti-dilutive. No diluted loss per share has been presented for the three and six months ended 30 September 1999 as the Company did not have any dilutive potential ordinary shares.

COMPARISON OF BUSINESS OBJECTIVE WITH ACTUAL BUSINESS PROGRESS

Set out below is a comparison between the Group's actual business progress to date and its business objectives for the period ending 31 March 2001 as set out in its prospectus dated 21 July 2000 (the "Prospectus"):

Business objectives as set out in the Prospectus:

Increase traffic

1. Launch a vertical portal on travel to increase the attractiveness of the portal

Actual business progress to date:

The Group has launched a travel portal in mid August 2000. It is a comprehensive search engine for travellers of all kind. Beautiful sites around the world are brought into the spotlight with interesting comments and travel tips.

2. Provide news content for WAP phone users

The Group entered into an agreement with Hutchison Telephone Company Limited on 29 May 2000 for the provision of contents in wireless markup language format for access by users through Hutchison's wireless application protocol ("WAP") gateway. Pursuant to this agreement, the Group is providing Hutchison's WAP gateway with content including news, current affairs, horse racing and sports.

3. Online broadcast of the celebrations on the National Day, the festive functions at Christmas, the New Year Countdown and the firework display at the Chinese New Year, to generate additional traffic from these special events

There was no online broadcast of the celebrations on the National Day as the Group's news portal had sufficient coverage on such event and the management considered that online broadcast of the event would not significantly increase the Group's pageviews. Our portal, however, online broadcasted the Election of the Legislative Council at the Convention Centre continuously for 15 hours on 10 September 2000.

4. Enhance existing content through the strengthening of the Group's content team by recruiting experienced staff and through strategic alliances and acquisitions

16 staff had joined the Group during the 3 months ended 30 September 2000. The significant enrichment of the Group's content during the period has been a direct result of our substantial investment in human resources. On 11 October 2000, the Group entered into a joint venture agreement with Show8 Cyber Media Limited for the operation of the website "www.Show8.com". This new website provides information on entertainment and leisure, which is different from the Group's existing contents of entertainment and leisure provided at "yulok.hkcyber.com".

Increase brand strength

5. Roadshows in North America and Australia to promote its comprehensive website in order to create brand awareness among the Chinese communities overseas

The Group has conducted roadshows in San Francisco, Los Angeles, New York, Taiwan and Singapore in July 2000 for the purpose of promoting its brandname.

6. Continue advertising through different and effective media such as billboards and outdoor electronic display and outdoor events

The Group has placed advertising on television, radio, newspaper and magazines. Programmes have been run outdoor in various places from time to time to bring the Group closer to the public. The Group has also sponsored or participated in certain sports' and charitable fund raising events so as to enhance its image and popularity. Such events include CyberDaily Oscar Golf League, the Ocean Park Conservation Foundation Charity Ball, Skyauction roadshow at Time Square and the 16th Computer 2000 Expo.

7. Commence to promote the Group's ability to provide a total solution in e-marketing.
- The Group has achieved significant progress in promoting its e-marketing solution to clients. Our tactics include joint promotional campaigns, interactive advertising, internet strategy formulation and technical support to e-marketing clients.

Increase Revenue

8. Introduce interactive and full screen advertisements
- Since April 2000, the Group has started to generate advertising revenue from interactive and full screen advertising. The Group's advertising clients include Orange, Carlsberg, Siemens, Xin Kwong Restaurant, Hewlett Packard and Legend Expert Systems.
9. Charge viewers on access to certain content such as horse racing tips and fortune telling.
- The Group has not yet charged viewers on access to its horse racing tips and fortune telling services during the period. The Group intends to charge viewers on access to such services in December 2000.
10. Launch e-mall.
- Three e-malls have been set-up during the period. The first one is Hang Fung Gold Mall. The second one is Chun Hing Crystal Mall. Both are contributing to the Group's revenue. The third one, Skyauction, was grandly launched on 15 September 2000. The Skyauction mall is now the most active mall of the Group. Auction is now being conducted at the Skyauction portal Monday to Friday with sophisticated consumer goods.

11. Strengthen the Group's e-marketing team by recruiting experienced staff and sourcing advertisers and merchants for its services.

During the six months ended 30 September 2000, the Group's e-marketing team has demonstrated its strength by sourcing several important advertising clients including Orange, Legend Expert Systems, Hewlett Packard, Xin Kwong Restaurant, Carlsberg and Siemens. To strengthen the e-marketing team, the Group recruited three senior business development executives in August to direct the Group's e-marketing strategy.

12. Charge WAP users on access to the Group's content

As mentioned earlier, the Group is providing contents to Hutchison's WAP users pursuant to an agreement with Hutchison Telephone Company Limited. The Group has deferred charging Hutchison's WAP users because both parties are in the course of revising the charging formula. The Group has the right of recovering the content provision income with recourse upon finalisation of the agreement.

13. Introduce advertising during live shows

Since the launching of live shows in June 2000, the Group has been delivering advertisements at the beginning and during breaks of live shows.

Improvement of Infrastructure

14. Increase revenue from the licensing of the Group's multimedia programmes to local and overseas television stations.

Besides the licensing of the "Three Lions' Show" to Cable & Wireless HKT IMS, the Group has been negotiating with certain media for the licensing of the programmes produced by the Group.

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| 15. Set up mirror sites in Taiwan, Beijing in the PRC and MAE-west and east, providing faster and quality access to overseas viewers. | The Group has not yet set up mirror sites outside Hong Kong. However, negotiations are being conducted with overseas companies specialised in providing solutions, and their feasibility studies will form the basis of our strategy of setting up overseas mirror sites for direct delivery of our contents. |
| 16. Develop a global network infrastructure. | The Group is actively seeking opportunity in forming strategic alliances with overseas media for delivering the Group's content. Negotiations have been conducted from time to time but so far no agreement has yet been reached. |
| 17. Purchase of hardware and software for e-commerce. | The Group has invested approximately HK\$5.5 million during the six months ended 30 September 2000 in support of operations of Skyauction mall, interactive advertising, video streaming and web mail service and other e-business infrastructure. Effort was given to build a secure firewall to protect the integrity of data and transactions. |

The Group raised net proceeds of approximately HK\$154 million upon listing of the Company's shares on GEM of the Stock Exchange. During the 6 months ended 30 September 2000, the Group applied approximately HK\$18 million to achieve the business objectives as stated above and in the manner as set out in the Prospectus. On the date of the report, the directors of the Company do not have any plan which will alter materially the use of proceeds as disclosed in the Prospectus. The remaining net proceeds of HK\$136 million will be applied in accordance with implementation plans as set out in the business objective and future plans in the Prospectus.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2000 (1999: Nil).

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2000, the interests of the Company's directors and their respective associates in the Company and its associated corporations as recorded in the register required to be kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), or which required, pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Name of director	Personal interest (shares)	Family interest (shares)	Corporate interest (shares)	Other interest (shares)	Total (shares)
Leung Wai Man, Sunny	Nil	Nil	358,131,468 <i>(Note 1)</i>	Nil	358,131,468
Wong Yuk Man	Nil	Nil	54,836,790 <i>(Note 2)</i>	Nil	54,836,790
Lai King Yan, Anthony	Nil	Nil	8,123,964 <i>(Note 3)</i>	Nil	8,123,964

Notes:

1. Shares held by Spencer Logistics Limited and Greatgo Holdings Limited which are wholly owned by Leung Wai Man, Sunny.
2. Shares held by Super Nation Investment Limited which is wholly owned by Wong Yuk Man.
3. Shares held by E-com Network Limited which is wholly owned by Lai King Yan, Anthony.

Save as disclosed above, none of the directors and chief executive of the Company or their respective associates had, as at 30 September 2000, any interests in the shares of the Company or its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance or which, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Under the pre-IPO share option scheme adopted by the Company on 17 July 2000 (the "Pre-IPO Share Option Scheme"), the principal terms of which are summarised in the paragraph headed "Pre-IPO Share Option Scheme" in appendix IV to the Prospectus, the

Company has granted the following directors 68,896,662 options to subscribe for an aggregate of 68,896,662 shares of the Company at an exercise price of HK\$0.05 per share on 18 July 2000. These options are exercisable during the period from 31 January 2000 to 18 July 2010 in accordance with the schedule set out in the paragraph “Pre-IPO share Option Scheme” below.

Name of director	Number of underlying shares
Wong Yuk Man	25,000,000
Leung Wai Man, Sunny	25,000,000
Lai King Yan, Anthony	12,500,000
Choy Hok Man, Constance	6,250,000
Shiu, Stephen Junior	146,662

Save as disclosed above, during the six months ended 30 September 2000, none of the directors or chief executive of the Company was granted options to subscribe for shares or debentures of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2000, the register required to be kept under Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company.

Name of shareholders	No. of shares held
Greatgo Holdings Limited	262,486,876 (<i>Note 1</i>)
Mr. Leung Wai Man, Sunny	358,131,468 (<i>Note 2</i>)
Qantex Limited	287,498,126 (<i>Notes 3 & 6</i>)
Skynet Limited	287,498,126 (<i>Notes 3 & 6</i>)
Gold Cloud Agents Limited	287,498,126 (<i>Notes 3 & 6</i>)
Companion Marble (BVI) Limited	287,498,126 (<i>Notes 3 & 6</i>)
Skynet (International Group) Holdings Limited	287,498,126 (<i>Notes 3 & 6</i>)
Companion Building Material (Holdings) Limited	335,978,126 (<i>Notes 4 & 6</i>)
Companion Building Material (BVI) Limited	335,978,126 (<i>Notes 4 & 6</i>)
Companion Building Material International Holdings Limited	335,978,126 (<i>Notes 4 & 6</i>)
Hanny Magnetics (B.V.I.) Limited	200,015,000 (<i>Notes 5 & 6</i>)
Hanny Holdings Limited	200,015,000 (<i>Notes 5 & 6</i>)

Notes:

1. Greatgo Holdings Limited is wholly owned by Mr. Leung Wai Man, Sunny.
2. Mr Leung Wai Man, Sunny's shares are held through Greatgo Holdings Limited and Spencer Logistics Limited, each of which is wholly owned by Mr Leung Wai Man, Sunny.
3. These 287,498,126 shares of the Company are owned by Qantex Limited. Qantex Limited is a wholly owned subsidiary of Skynet Limited of which Gold Cloud Agents Limited owns more than one third of the issued share capital. Companion Marble (BVI) Limited owns more than one third of the issued share capital of Gold Cloud Agents Limited and is a wholly owned subsidiary of Skynet (International Group) Holdings Limited.
4. Of these 335,978,126 shares of the Company, 287,498,126 shares are owned by Qantex Limited and 48,480,000 shares are owned by Companion Building Material (Holdings) Limited ("CBMHL"). CBMHL owns more than one third of the issued share capital of Skynet (International Group) Holdings Limited, which indirectly holds approximately 54 per cent. of the issued share capital of Qantex Limited. Companion Building Material (BVI) Limited owns the entire share capital of CBMHL and is a wholly owned subsidiary of Companion Building Material International Holdings Limited.
5. Hanny Magnetics (B.V.I.) Limited is a wholly-owned subsidiary of Hanny Holdings Limited.
6. 267 and 733 preference shares of the Company (the "Preference Shares"), the principal terms of which are summarised in the paragraph headed "Group reorganisation" in appendix IV to the Prospectus, have been issued and allotted to Hanny Magnetics (B.V.I.) Limited and Qantex Limited respectively. On 31 January 2001, all (but not part) of the outstanding Preference Shares will be converted into 30% of the number of shares in issue immediately upon completion of the listing of shares of the Company on GEM (but excluding the exercise of options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme as defined in the section headed "Share option schemes" below). The respective interests of Hanny Magnetics (B.V.I.) Limited and Qantex Limited in the Company will consequently increase to approximately 18.47% and 34.61% of the total issued share capital of the Company upon the full conversion of the Preference Shares.

Save as disclosed above, the Directors are not aware of any other person having an interest in shares representing 10% or more of the issued share capital of the Company.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

In addition to options granted to directors of the Company as disclosed in the section headed "Directors' rights to acquire shares" above, the Company has granted options under the Pre-IPO Share Option Scheme totaling 56,103,338 to 114 employees and a consultant of the Group to subscribe for an aggregate of 56,103,338 shares of the Company at an exercise price of HK\$0.05 per share on 18 July 2000.

No option pursuant to the Pre-IPO Share Option Scheme had been exercised, cancelled or lapsed during the six months ended 30 September 2000. As at 30 September 2000, options comprising a total of 125,000,000 underlying shares, representing 10% of an aggregate 1,250,000,000 shares of the Company in issue at the same date, were outstanding.

All the above outstanding options may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time during the period commencing from six months after the date of listing of the Company on GEM which is 31 January 2001 and ending 10 years after the date of grant of the options which is 18 July 2010 in accordance with the following schedule:

Period	Percentage of options granted to an individual which are exercisable
Date of grant to six-month period after the listing of the Company on GEM	Zero
Six to twelve-month period after the listing of the Company on GEM	Up to one-third
Six to eighteen-month period after the listing of the Company on GEM	Up to two-thirds
Thereafter	All options which have not been previously exercised

Post-IPO Share Option Scheme

On 17th July, 2000, the Company has conditionally adopted the Post-IPO share option scheme (the “Share Option Scheme”), the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in appendix IV to the Prospectus.

As at 30 September 2000, no options have been granted by the Company under the Share Option Scheme.

COMPETING INTERESTS

As at 30 September 2000, none of the Directors or the management shareholders of the Company and their respective associates (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 INTERESTS

Pursuant to the agreement dated 20 April 2000 entered into between the Company and Yuanta Securities (Hong Kong) Company Limited (“Yuanta Securities”), Yuanta Securities will receive a fee for acting as the Company’s retained sponsor for the period from 20 April 2000 to 31 March 2003.

As updated and notified by Yuanta Securities, as at 30 September 2000, neither Yuanta Securities nor its directors, employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules), had any interests in the securities of the Company or any member of the Group or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

YEAR 2000 COMPLIANCE

As disclosed in the Prospectus, the Board reports that the Group has taken all necessary steps to ensure that all the Group’s computers and software are year 2000 compliant. The Group has not encountered any material difficulties in all functional areas arising from the year 2000 compliance issue since 1 January 2000.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in July 2000. The audit committee comprising two independent non-executive Directors, Mr. Li Ka Cheung, Eric and Mr. Cheung Yan Leung, Stephen. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 September 2000, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.