

Interim Report 2001

(For the period from 1st October 2000 to 31st March 2001)

iAsia Technology Limited

(incorporated in Hong Kong with limited liability under the Companies Ordinance)



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iAsia Technology Limited

(incorporated in Hong Kong with limited liability under the Companies Ordinance)

ABOUT IASIA TECHNOLOGY LIMITED

iAsia Technology Limited (the "Company") and its subsidiaries (together the "Group") is principally engaged in the provision of comprehensive real time online trading solutions to brokers and other financial institutions in the Asia Pacific region (the "Pan-Asian Region"). The Group intends to act as a service bureau providing a total end-to-end solution with straight through processing of orders, taking care of both the front end execution and the back office settlement sides.

HIGHLIGHTS

- Turnover amounted to approximately HK\$508,000 for the six month period from 1st October 2000 to 31st March 2001 (the "Interim Reporting Period"), and approximately HK\$396,000 for the three month period from 1st January 2001 to 31st March 2001 (the "Quarterly Reporting Period").
- The Group has entered into formal agreements/letters of intent with 14 brokers and/or their related system provider companies in Hong Kong for the provision of online securities trading services.
- Completed and launched its own front-end trading system ("ROS 4"), and Proprietary Network System ("PNS").
- Successful listing on GEM on 9th April 2001.

BUSINESS REVIEW

During the Interim Reporting Period, the Stock Exchange has finally launched its new AMS/3 trading system. All trading terminals currently used by Hong Kong stockbrokers are required to be upgraded from the previous AMS/2 format into AMS/3 format. As a result, the Group has recorded a revenue growth during the Interim Reporting Period. Its turnover has recorded an increase from HK\$111,723 (for the three month period from 1st October 2000 to 31st December 2000) to HK\$396,278 (for the Quarterly Reporting Period). As at 31st March 2001, the Group has entered into 9 formal agreements and 6 letters of intent with 14 brokers and/or their related system provider companies in Hong Kong for the provision of online securities trading services.

In order for the Group to capture greater market share and to strengthen the revenue stream, the management of the Group has introduced further pricing policies on top of its core ASP revenue model. These pricing policies include the selling of its proprietary self-developed trading and back office systems. The Group also offers after-sales services,

including annual maintenance services, system upgrades and customer support service. This new pricing policy not only generates one-off sales income for the Group, but also a recurrent income from the Group's after-sales services.

Loss attributable to shareholders for the Interim Reporting Period increased to HK\$12,899,386, from HK\$3,740,675 during the corresponding period in 2000. The increase was mainly due to the extra manpower added to the research and development team, and the expansion of business operation.

In terms of technology development, the Group had completed and launched its own PNS in February 2001. This PNS solution provides traditional broker multi-media access channels that can be connected to the Order Routing System ("ORS") in AMS/3 of the Stock Exchange e.g. Internet and personal data assistance.

In March 2001, the Group completed its own front-end trading system, ROS 4. This new front-end trading system is tailor-made to the Hong Kong and other Asian stock markets and will support the "Five Multiples", namely Multiple markets, Multiple currencies, Multiple access channels, Multiple languages, and Multiple instruments, which the Group intends to develop.

As at 31st March 2001, the Group had applied for and had conditionally been approved to list its shares on GEM offering an aggregate of 90 million new shares at an offer price of HK\$0.70 each (the Company's shares were later listed on GEM on 9th April 2001). Out of the 90 million new shares, 9 million new shares are by way of public offer and 81 million new shares are by way of placement, raising gross proceeds of approximately HK\$63 million. For further details, please refer to the Group's prospectus dated 23rd March 2001 (the "Prospectus").

The Group's share offer was well responded in spite of the weak market sentiment during March 2001. The Group received applications for shares equivalent to approximately 13.6 times of the total number of shares available from the public offer and 1.27 times over-subscription from placement. Trading of the Company's shares debuted on 9th April 2001.

FUTURE PROSPECTS

Since the Group is one of the pioneers involved in the provision of Pan-Asian Region cross border securities trading software application service, the business objectives of the Group are to dominate the cross border securities trading arena and to become a leader of the market.

The Group intends to set up operations and/or joint venture companies in a number of the countries in the Pan-Asian Region, including Taiwan, the Philippines, Singapore, Thailand and the PRC. For instance, the Group has entered into a pre-incorporation agreement with Computershare Systems Phils., Inc. to set up a joint venture interactive service bureau for the stock broking industry in the Philippines, and as at 31st March 2001, the Group is in the process of setting up such joint venture company. For further details, please refer to the Prospectus.

On the other hand, the Group intends to develop trading solutions for other financial products, such as foreign exchange, options and futures trading. These products will be integrated with other products which the Group currently provides.

INTERIM RESULTS

The board of directors ("Board") of the Company is pleased to announce the unaudited consolidated results for the periods of three month and six month ended 31st March 2001, together with the comparative unaudited figures of the corresponding periods in 2000 as follows:

		From 1st January 2001 to the three month period ended 31st March 2001	From 1st January 2000 to the three month period ended 31st March 2000	From 1st October 2000 to the six month period ended 31st March 2001	From 24th September 1999 to 31st March 2000
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover	(2)	396,278	–	508,001	–
Loss before taxation		(6,771,956)	(3,132,886)	(12,899,386)	(3,740,675)
Taxation	(3)	–	–	–	–
Loss attributable to shareholders		(6,771,956)	(3,132,886)	(12,899,386)	(3,740,675)
Loss per share – basic	(4)	(0.02)	(0.22)	(0.04)	(0.54)

Notes:

1. Basis of presentation

The Company was incorporated in Hong Kong with limited liability on 24th September 1999. Three subsidiaries were acquired by the Company during the Interim Reporting Period. Accordingly, the Company's results have been presented for the period from 24th September 1999 to 31st March 2000 and the consolidated results of the Group have been presented for the Interim Reporting Period. The subsidiaries were accounted for in the consolidated results using acquisition accounting. The Company's shares were listed on GEM of the Stock Exchange on 9th April 2001.

The principal accounting policies adopted in preparing the unaudited consolidated results of the Group conform with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong.

2. Turnover and revenue

The Group is principally engaged in the provision of comprehensive real time online trading solutions to brokers and financial institutions in the Pan-Asia Region. Turnover and revenue recognized during the Quarterly Reporting Period and Interim Reporting Period are as follow:-

	From 1st January 2001 to the three month period ended 31st March 2001 HK\$	From 1st January 2000 to the three month period ended 31st March 2000 HK\$	From 1st October 2000 to the six month period ended 31st March 2001 HK\$	From 24th September 1999 to 31st March 2000 HK\$
Turnover				
System customisation fees	70,500	-	70,500	-
Hook up fees	30,000	-	85,000	-
Sale of trading and back office systems	210,000	-	225,000	-
Messaging fees	31,504	-	48,077	-
Data management fees and hosting fee	1,461	-	6,611	-
Content management and subscription fees	188	-	20,188	-
Maintenance fee	52,625	-	52,625	-
	<u>396,278</u>	<u>-</u>	<u>508,001</u>	<u>-</u>
Other revenue	<u>86,636</u>	<u>61,395</u>	<u>213,287</u>	<u>66,630</u>
Total revenue	<u>482,914</u>	<u>61,395</u>	<u>721,288</u>	<u>66,630</u>

3. Taxation

No provision for Hong Kong profits tax has been made as the Group has no assessable profits during the Interim Reporting Period and Quarterly Reporting Period, and their corresponding periods in 2000.

4. Loss per share

The calculation of loss per share for the Interim Reporting Period is based on the loss attributable to shareholders of HK\$12,899,386 (2000: loss of HK\$3,740,675) and the weighted average number of 290,121,433 shares (2000: 6,908,299 shares) in issue during the period. The weighted average number of shares in issue during the periods has taken into account the subdivision of one share of HK\$1.00 each into 10 shares of HK\$0.10 each of the Company on 14th March 2001.

The calculation of loss per share for the Quarterly Reporting Period is based on the loss attributable to shareholders of HK\$6,771,956 (2000: loss of HK\$3,132,886) and the weighted average number of 292,131,150 shares (2000: 14,423,899 shares) in issue during the period. The weighted average number of shares in issue during the periods has taken into account the subdivision of one share of HK\$1.00 each into 10 shares of HK\$0.10 each of the Company on 14th March 2001.

There were no potential shares outstanding during the Quarterly Reporting Period, Interim Reporting Period and their corresponding periods in 2000. No dilutive loss per share is presented.

5. Reserves

Movements in reserves during the Quarterly Reporting Period, Interim Reporting Period and their corresponding periods in 2000 are as follows:

	Group and Company From 1st January 2001 to 31st March 2001	Company From 1st January 2000 to 31st March 2000	Group and Company From 1st October 2000 to 31st March 2001	Company From 24th September 1999 to 31st March 2000
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Share premium				
Balance brought forward	12,987	–	6,000	–
Premium arising from issue of shares	<i>i</i> –	16,398	6,987	16,398
Balance carried forward	<i>ii</i> <u>12,987</u>	<u>16,398</u>	<u>12,987</u>	<u>16,398</u>
Accumulated losses				
Balance brought forward	(16,689)	(608)	(10,562)	–
Loss for the Period	<u>(6,772)</u>	<u>(3,133)</u>	<u>(12,899)</u>	<u>(3,741)</u>
Balance carried forward	<u>(23,461)</u>	<u>(3,741)</u>	<u>(23,461)</u>	<u>(3,741)</u>

Notes:

- i. On 15th November 2000, the Company allotted and issued 812,815 ordinary shares of HK\$1.00 each for a total consideration of HK\$7,800,000 fully paid in cash to further increase the Group's working capital. Accordingly, HK\$6,987,185 was credited to the share premium account. These shares rank pari passu with the existing ordinary shares of the Company.
- ii. The balance of the share premium account as at 31st March 2001 has not taken account into the capitalisation issue and the allotment of shares of the Company for the purpose of the Company's new listing subsequent to 31st March 2001.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six month period ended 31st March 2001 (2000: Nil).

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives as stated in the Prospectus

Actual business progress up to 31st March 2001

1. *Market Penetration*

Increase ASP market share on the Hong Kong online securities trading market

As at 31st March 2001, the Group has entered into 9 formal agreements and 6 letters of intent with 14 brokers and/or their related system provider companies in Hong Kong for the provision of online securities trading services.

2. *Strategic Alliance*

Seek potential strategic alliance for the PRC market

The Group has identified and began negotiations with several PRC software companies for the joint development of a trading solution tailor-made to the PRC market.

Continue evaluation and strengthening of existing strategic relationship

The Group is in the process of exploring and evaluating other markets for opportunities.

Continue negotiations with potential partners for setting up joint venture entities in each of the overseas target markets

The Group is in the process of setting up a joint venture in the Philippines with Computershare Systems Phils., Inc. for an interactive service bureau, providing systems where multiple software applications can be used and/or shared by multiple users.

3. *ASP Services*

Explore other ASP models to meet the specific needs of brokers/local market

To diversify customer base and to strengthen the revenue stream, the Group began selling its trading and back office systems during the Interim Reporting Period. The Group also offers after sales service in return for a maintenance fee.

4. *Access Devices*

Develop other access channels, such as, Web TV, interactive television, PDA, etc

The Group has entered into a letter of intent with one of the leading Personal Data Assistant manufacturers in Hong Kong to integrate mobile financial information and trading system into their products.

5. *Content Development*
- | | |
|--|---|
| Continue to develop financial contents for Hong Kong brokerages from various content providers such as, AFX-Asia and ASI | The Group has entered into a distributor agreement with AFX-Asia, whereby the Group shall distribute the English version of the real time local news headlines and market closing reports via the Group's market data terminal. |
| Continue to develop regional syndications of financial information content | The Group is in the process of identifying and negotiating with other oversea financial information content providers for distribution rights. |
6. *Research and Development*
- | | |
|---|---|
| Continue to enhance software for localization and customization for each of the overseas target markets | The Group has entered into a formal agreement with Computershare Systems Phils., Inc. for a non-exclusive licence to use, to further develop and to distribute a trading solution and other related software in Thailand. |
| Define requirements for knowledge management system | In progress |
| Commence development of value added services e.g. programmed trading | The Group has entered into an agreement with iVentures Inc. for the establishment of a joint venture company in the Philippines, which will set up and operate a software research and development center. |
7. *Net Proceeds used during the period*
- | | |
|--|-----|
| | Nil |
|--|-----|

Directors' and Chief Executives' Interests in Shares and Options

(i) Shares

As at 9th April 2001, the date on which the Company's shares listed on GEM, interests of the directors and chief executives of the Group in the shares of the Company (the "Shares") and in the share capital of any of its associated corporation pursuant to section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of directors	Note	Personal	Number of shares held			Other
			Family	Corporate		
Dr. Ho Hung Sun, Stanley	(1)	–	–	73,846,513	–	
Dr. Lee Jun Sing	(2)	–	–	62,997,029	–	
Ko Chun Fung, Henry	(3)	–	–	60,433,722	–	
Yuen Tien Yau, Gordon	(3)	–	–	60,433,722	–	
Cheng Kar Shing, Peter	(4)	–	–	52,809,819	–	
Fung Hoo Wing, Thomas	(5)	–	–	52,809,819	–	
Ho Yau Lung, Lawrence	(6)	–	–	42,326,273	–	
Fung Wing Cheung, Tony	(7)	–	–	36,378,847	–	

Notes:–

- Dr. Ho Hung Sun, Stanley will be taken to be interested in 73,846,513 Shares as a result of him being beneficially interested in 65% of the issued share capital of Bailey Development Limited which in turn holds approximately 16.4% of the issued share capital of the Company as at 9th April 2001.
- Dr. Lee Jun Sing will be taken to be interested in 62,997,029 Shares as a result of him being beneficially interested in the entire issued share capital of Best Summit International Limited which in turn holds approximately 14.0% of the issued share capital of the Company as at 9th April 2001.
- Ko Chun Fung, Henry will be taken to be interested in 60,433,722 Shares as a result of him being beneficially interested in 51% of the issued share capital of Capital Speed Limited which in turn holds approximately 13.4% of the issued share capital of the Company as at 9th April 2001. Yuen Tien Yau, Gordon will also be taken to be interested in 60,433,722 Shares as a result of him being beneficially interested in 49% of the issued share capital of Capital Speed Limited. The 60,433,722 Shares represent the same interest held by Capital Speed Limited and are therefore duplicated between Ko Chun Fung, Henry and Yuen Tien Yau, Gordon.
- Cheng Kar Shing, Peter will be taken to be interested in 52,809,819 Shares as a result of him being beneficially interested in the entire issued share capital of Potassium Corp. which in turn is beneficially interested in 50% of the issued share capital of Newtop Limited which in turn holds approximately 11.7% of the issued share capital of the Company as at 9th April 2001. The 52,809,819 Shares represent the same interest held by Newtop Limited and are therefore duplicated between Fung Hoo Wing, Thomas and Cheng Kar Shing, Peter.

5. Fung Hoo Wing, Thomas will be taken to be interested in 52,809,819 Shares as a result of him being beneficially interested in 33 1/3% of the issued share capital of Kateman International Ltd. which in turn is beneficially interested in 50% of the issued share capital of Newtop Limited which in turn holds approximately 11.7% of the issued share capital of the Company as at 9th April 2001.
6. Ho Yau Lung, Lawrence will be taken to be interested in 42,326,273 Shares as a result of him being beneficially interested in the entire issued share capital of Golden Mate Co., Ltd. which in turn holds approximately 9.4% of the issued share capital of the Company as at 9th April 2001.
7. Fung Wing Cheung, Tony will be taken to be interested in 36,378,847 Shares as a result of him being beneficially interested in the entire issued share capital of Megaland Development Limited, which in turn is beneficially interested in approximately 34.4% of the issued share capital of Yu Ming Investments Limited which in turn beneficially holds the entire issued share capital of Longson Limited and Longson Limited holds approximately 8.1% of the issued share capital of the Company as at 9th April 2001.

(ii) *Directors' rights to acquire shares in the Company*

Pursuant to the share option scheme ("Share Option Scheme") adopted by the Company on 14th March 2001, the directors of the Company may at their discretion grant options to full-time employees and executive directors of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme.

On 6th April 2001, prior to the Company's IPO, pursuant to the Pre-IPO share options granted under the Share Option Scheme ("Pre-IPO Share Options"), certain directors have interests in options to subscribe for shares in the Company as set out below. The options have a duration of approximately 4.5 years from the date on which the offer of grant was made.

Name of directors	Date of grant	Exercise price HK\$	No. of share options		Expiry date
				outstanding as at 9th April 2001	
Dr. Ho Hung Sun, Stanley	6th April 2001	0.49		2,100,000	8th October 2005
Dr. Lee Jun Sing	6th April 2001	0.49		8,961,458	8th October 2005
Ko Chun Fung, Henry	6th April 2001	0.49		8,961,458	8th October 2005
Yuen Tien Yau, Gordon	6th April 2001	0.49		2,822,916	8th October 2005
Cheng Kar Shing, Peter	6th April 2001	0.49		2,100,000	8th October 2005
Ho Yau Lung, Lawrence	6th April 2001	0.49		2,100,000	8th October 2005
Fung Wing Cheung, Tony	6th April 2001	0.49		2,100,000	8th October 2005

Notes:—

1. A summary of the major terms of the Pre-IPO Share Options are set out at pages 184-186 of the Prospectus.

2. The Pre-IPO Share Options can only be exercised by the grantees thereof in the following manner:

Commencing from	Percentage of the Pre-IPO Share Options that can be exercised
the Business Day immediately following the first six months of the commencement of the trading of the Shares on GEM	50%
the Business Day immediately following the first anniversary of the commencement of the trading of the Shares on GEM	100%

Other than as disclosed above, at no time during the Interim Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Other than as disclosed above, neither the directors nor the chief executive, nor any of their associates, had any interests in any securities of the Company or any of its associated corporations as defined by the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

So far as the directors of the Company are aware, the register of substantial shareholders maintained by the Group pursuant to section 16(1) of the SDI Ordinance discloses the following companies and persons as having an interest of 10% or more of the issue share capital of the Company as at 9th April 2001 are as follow:

Name	Notes	Number of Shares	Percentage of issued share capital as at 9th April 2001
Bailey Development Limited		73,846,513	16.4%
Best Summit International Limited		62,997,029	14.0%
Capital Speed Limited		60,433,722	13.4%
Newtop Limited		52,809,819	11.7%
Kateman International Ltd.	(1)	52,809,819	11.7%
Potassium Corp.	(1)	52,809,819	11.7%
Fung Hoo Wing, Thomas	(2)	52,809,819	11.7%
Fung Ho Sum, Joseph	(2)	52,809,819	11.7%
Yeung Ming Kwong, Tony	(2)	52,809,819	11.7%

Notes:–

1. These Shares are held by Newtop Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance, which is legally and beneficially owned as to 50% by Kateman International Ltd. and 50% by Potassium Corp..
2. These Shares are held by Newtop Limited which is owned as to 50% by Kateman International Ltd. and as to 50% by Potassium Corp.. Each of Fung Hoo Wing, Thomas, Fung Ho Sum, Joseph, and Yeung Ming Kwong, Tony beneficially owns or has control over 33 1/3% of the issued share capital of Kateman International Ltd. and was deemed (by virtue of the SDI Ordinance) to be interested in the Shares. These Shares represent the same interest and are therefore duplicate among Newtop Limited, Kateman International Ltd., Potassium Corp., Fung Ho Sum, Joseph and Yeung Ming Kwong, Tony.

SPONSOR INTEREST IN THE COMPANY

Pursuant to a non-binding memorandum of understanding dated 4th July 2000 and entered into between the Company and First eFinance Limited (“First eFinance”), a fellow subsidiary of First Shanghai Capital Limited, the parties have agreed to, among other things, enter into good faith negotiations with a view to concluding and executing such formal co-operation agreement(s) and other related documents containing provisions for, inter alia, the provision of services by the Company to First eFinance for the purpose of carrying out cross border securities trading transactions and the fee to be charged by the Company thereon. As at 31st March 2001, services amounting to HK\$16,430 has been performed and charged by the Company.

As at 9th April 2001, neither First Shanghai Capital Limited nor its directors or 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, including options or rights to subscribe for such securities.

First Shanghai Capital Limited and the Company have agreed that, after the Listing Date, 9th April 2001, will enter into a sponsor’s agreement pursuant to which First Shanghai Capital Limited will fulfil its continuing obligations as a sponsor under Rules 6.50 to 6.58 of the GEM Listing rules for a period up to 30th September 2003 subject to terms and conditions to be agreed between the parties thereto.

DETAILS OF SHARE OPTIONS GRANTED

(i) Pre-IPO Share Options

On 6th April 2001, prior to the Company’s IPO, the directors of the Company granted options to subscribe for an aggregate of 45,000,000 ordinary shares of HK\$0.10 each in the Company pursuant to the Pre-IPO Share Options (as approved by the directors of the Company on 14th March 2001) and were outstanding. Details of options granted and, as at 9th April 2001, remaining unexercised under the Pre-IPO Share Options remain unchanged as disclosed on pages 186 of the Prospectus.

(ii) Share Option Scheme

Save for the Pre-IPO Share Options, no other options have been granted under the Share Option Scheme.

A summary of the major terms of the Pre-IPO Share Options are set out at pages 184-186 of the Prospectus.

Note:

Movement of Pre-IPO Share Options

Pre-IPO Share Options (Exercise price HK\$0.49)	As at 1st October 2000	Movement during the period			As at 9th April 2001	No. of new shares arising therefrom
	No. of Options	Granted	Exercised	Cancelled	No. of Options	
<i>Directors</i>						
Dr Ho Hung Sun, Stanley	Nil	2,100,000	Nil	Nil	2,100,000	Nil
Dr Lee Jun Sing	Nil	8,961,458	Nil	Nil	8,961,458	Nil
Ko Chun Fung, Henry	Nil	8,961,458	Nil	Nil	8,961,458	Nil
Yuen Tien Yau, Gordon	Nil	2,822,916	Nil	Nil	2,822,916	Nil
Cheng Kar Shing, Peter	Nil	2,100,000	Nil	Nil	2,100,000	Nil
Ho Yau Lung, Lawrence	Nil	2,100,000	Nil	Nil	2,100,000	Nil
Fung Wing Cheung, Tony	Nil	2,100,000	Nil	Nil	2,100,000	Nil
Other senior management employees	Nil	15,854,168	Nil	Nil	15,854,168	Nil
	Nil	45,000,000	Nil	Nil	45,000,000	Nil

AUDIT COMMITTEE

The Company's audit committee was formed on 14th March 2001 comprising the independent non-executive directors of the Company, Lorna Patajo-Kapunan and Tsui Yiu Wa, Alec. The terms of reference of the audit committee have been established with regard to Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report, financial statements, interim reports and quarterly reports and to provide advice and comments thereon to the Board.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the date of listing.

COMPETING INTERESTS

Each of the Directors and the Initial Management Shareholders of the Company and their respective associates (as defined in the Prospectus and the GEM Listing Rules) has confirmed that, none of them had any business or interest in companies that competes or may compete with the business of the Group.

By Order of the Board
Ho Hung Sun, Stanley
Chairman

Hong Kong, 14th May 2001