

**E-silkROAD.NET**  
**E-SILKROAD HOLDINGS LIMITED**  
**絲網路數碼控股有限公司**  
*(incorporated in the Cayman Islands with limited liability)*

**Interim Report 2001**

# E-SILKROAD.NET

## E-SILKROAD HOLDINGS LIMITED

### 絲綢路數碼控股有限公司

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

#### **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 of the Stock Exchange 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.

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**INTERIM RESULTS ANNOUNCEMENT FOR  
THE SIX MONTHS ENDED 30TH JUNE 2001**

**HIGHLIGHTS**

During the six months ended 30 June 2001, E-silkroad Holdings Limited (“E-silkroad” or the “Company”) has become successfully listed on the Hong Kong Stock Exchange, made progress in building its operations in Guangdong Province and generated increased brand awareness around the Pearl River Delta region. During the period, the turnover of E-silkroad and its subsidiaries (the “Group”) amounted to HK\$3.3 million.

To cope with the recent changes on market sentiments over businesses relating to the Internet, the management of the Group has downsized its operations in Hong Kong during the first half of the year and at the same time undertaken a number of cost control measures. All these changes have been successful to narrow the Group’s losses to HK\$15 million during the period.

Looking ahead, China’s entry into the World Trade Organisation is expected to provide new business opportunities. For this reason, the Group will dedicate more of its resources to develop China market and at the same time maintain its efficiency and focus. Whilst the Group will continue and maintain its current line of business, it will assess and develop new business opportunities in China to enhance its prospect for growth.

## **BUSINESS REVIEW AND PROSPECTS**

### **General**

The Group's unaudited turnover for the period ended 30 June 2001 was HK\$3.3 million and is in line with the expectations of the management of the Group in the light of the changes in the market sentiments relating to companies offering services relating to the Internet. During the six months ended 30 June 2001, E-silkroad has become successfully listed on the Stock Exchange, made progress in building its operations in Guangdong Province and generated increased brand awareness around the Pearl River Delta region. The Group is confident that the existing business is viable due to the rapid rise in Internet usage around the world and the emergence of Greater China as one of the largest commercial markets. The Group now has offices in Hong Kong, Guangzhou, Zhongshan and Shunde, it will consolidate its business and continue to assess opportunities to expand in other fast growing cities in Southern China. Moreover, the Group will continue to assess opportunities to co-operate with overseas companies to expand its business internationally.

To cope with the recent changes on market sentiments over businesses relating to the Internet, the management of the Group has downsized its operations in Hong Kong during the first half of the year and at the same time undertaken a number of cost control measures. All these changes have been successful to narrow the Group's losses to HK\$15 million during the period. The aim of the cost control programme is to ensure that the resources of the Group are to be utilised efficiently in the market with the lowest costs and the highest potential.

## **Online Business**

During the first half of the year, online business represented approximately 41% of total turnover. During the period, the Group has utilised 3D Visualisation and e-brochure technology to broaden its business. The Group will continue to develop strategic alliances with internet and/or marketing related companies to offer additional value-added services to customers. These partnerships will potentially help the Group to gain access to the latest technologies to compliment its product range.

www.expo24hrs.net, the Group's international online exhibition portal, continues to serve as a channel to allow buyers and sellers to meet and conduct business on the Internet in an efficient and cost-effective manner. www.expo24hrs.net is now available in three different languages, namely Chinese, Japanese and English, enabling it to better serve customers from around the world.

## **Offline Business**

The Group considers its offline business as an essential element in broadening the services it offers to customers and complementing its online business. The offline business supplies a range of customised services to clients. The expansion of the offline business allows the Group to keep in closer contact with its many clients as well as gain expertise in additional market areas.

During the first half of the year offline business represented 59% of total turnover, an increase of 5% from 2000. This area of development is expected to continue to enjoy significant growth in the future.

## **Future Prospects**

The Group's interim results demonstrated its dedication to continue its current line of business and at the same time retain and reserve its resources for future growth in a market with the best potential. The Group expects its current business to remain steady and the operating costs of the Group should continue to drop in the light of costs control measures taken by management of the Group.

Looking ahead, China's entry into the World Trade Organisation is expected to provide new business opportunities. For this reason, the Group will dedicate more of its resources to develop China market and at the same time maintain its efficiency and focus. Whilst the Group will continue and maintain its current line of business, it will assess and develop new business opportunities in China to enhance its prospect for growth.

For the foreseeable future, the Group will focus its efforts on developing in Mainland China in order to benefit from its enormous potential. The Group believes that its customer base would allow it to increase its revenue in the foreseeable future through the marketing of technology and/or marketing related products and services to these customers.

## **QUARTERLY RESULTS**

The Board of Directors (the "Board") of E-silkroad is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group")

for the three months and six months ended 30 June 2001 together with the comparative unaudited figures of the corresponding period in 2000 as follows:–

	Notes	Unaudited consolidated results for the three months ended 30 June		Unaudited consolidated results for the six months ended 30 June	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	2	1,683	340	3,312	340
Cost of sales		(1,745)	(1,102)	(3,361)	(1,102)
Gross loss		(62)	(762)	(49)	(762)
Other revenue		294	125	372	125
Selling and distribution expenses		(2,851)	(1,455)	(4,925)	(1,584)
General and administrative expenses		(5,656)	(2,638)	(9,485)	(4,028)
Research and development costs		(20)	(77)	(646)	(619)
<b>LOSS FROM OPERATING ACTIVITIES</b>		<b>(8,295)</b>	<b>(4,807)</b>	<b>(14,733)</b>	<b>(6,868)</b>
Finance costs		(154)	–	(367)	–
<b>LOSS BEFORE TAX</b>		<b>(8,449)</b>	<b>(4,807)</b>	<b>(15,100)</b>	<b>(6,868)</b>
Tax	3	–	–	–	–
<b>LOSS BEFORE MINORITY INTERESTS</b>		<b>(8,449)</b>	<b>(4,807)</b>	<b>(15,100)</b>	<b>(6,868)</b>
Minority interests		77	12	117	12
<b>NET LOSS ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>(8,372)</b>	<b>(4,795)</b>	<b>(14,983)</b>	<b>(6,856)</b>
<b>LOSS PER SHARE – Basic</b>	4	<b>HK1.28 cents</b>	HK0.95 cent	<b>HK2.47 cents</b>	HK1.37 cents

*Notes:–*

**1. Basis of preparation and consolidation**

The Group was formed pursuant to a group reorganisation on 11 November 1999 (the “Reorganisation”). Further details of the Reorganisation are set out in the Prospectus of the Company dated 26 February 2001 (the “Prospectus”).

The consolidated financial statements have been prepared using the merger basis of accounting as a result of the Reorganisation. On this basis, the Company has been treated as the holding company of its subsidiaries since their respective dates of incorporation rather than from the date of their acquisitions pursuant to the Reorganisation. Accordingly, the consolidated results of the Group for the three months and six months ended 30 June 2001 and the corresponding periods in 2000 include the results of the Company and its subsidiaries with effect from 1 January 2000 or since their respective dates of incorporation, where this is a shorter period.

In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results of the Group as a whole.

All significant intercompany transactions and balances within the Group are eliminated in the preparation of the consolidated financial statements.

**2. Turnover**

Turnover represents the net invoiced value of services rendered.

**3. Tax**

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the three months and six months ended 30 June 2001 and the corresponding periods in 2000.

Provision for the tax of profits of subsidiaries operating overseas has not been calculated as the Group did not generate any assessable profits in the respective jurisdictions during the three months and six months ended 30 June 2001 and the corresponding periods in 2000.

The Group did not have any significant unprovided deferred tax in respect of the three months and six months ended 30 June 2001 and the corresponding periods in 2000.



There are no significant potential deferred tax liabilities for which provision has not been made.

#### 4. Loss per share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the three months and six months ended 30 June 2001 of HK\$8,372,000 and HK\$14,983,000 respectively (three months and six months ended 30 June 2000: HK\$4,795,000 and HK\$6,856,000 respectively) and the weighted average number of 652,280,000 and 605,217,989 shares of the Company in issue during the aforementioned two periods ended 30 June 2001 respectively (pro forma number of shares in issue for the three months and six months ended 30 June 2000: 502,400,000 shares).

Diluted loss per share for the three months and six months ended 30 June 2001 has not been presented as the share options outstanding during the period had an anti-dilutive effect on the basic loss per share for the period. The comparative diluted loss per share for the corresponding periods in 2000 has not been calculated as no diluting events existed during the period.

#### 5. Reserve

	<b>Accumulated losses</b>	<b>Share premium account</b>	<b>Exchange fluctuation reserve</b>	<b>Total</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
At 1 January 2000	(2,704)	2,650	–	(54)
Loss for the period	<u>(2,061)</u>	<u>–</u>	<u>(3)</u>	<u>(2,064)</u>
At 31 March 2000 and at 1 April 2000	(4,765)	2,650	(3)	(2,118)
Loss for the period	(4,795)	–	–	(4,795)
Exchange difference	<u>–</u>	<u>–</u>	<u>(8)</u>	<u>(8)</u>
At 30 June 2000	<u>(9,560)</u>	<u>2,650</u>	<u>(11)</u>	<u>(6,921)</u>

	<b>Accumulated losses</b>	<b>Share premium account</b>	<b>Exchange fluctuation reserve</b>	<b>Total</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
At 1 January 2001	(22,658)	19,129	(14)	(3,543)
Issue of shares upon conversion of convertible redeemable notes	–	2,428	–	2,428
Issue of shares pursuant to placement	–	26,091	–	26,091
Issue of shares by capitalisation	–	(25,044)	–	(25,044)
Share issuing expenses	–	(7,772)	–	(7,772)
Loss for the period	(6,611)	–	–	(6,611)
Exchange difference	–	–	(12)	(12)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001 and at 1 April 2001	(29,269)	14,832	(26)	(14,463)
Loss for the period	(8,372)	–	–	(8,372)
Exchange difference	–	–	(27)	(27)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2001	<u>(37,641)</u>	<u>14,832</u>	<u>(53)</u>	<u>(22,862)</u>

## 6. Interim dividend

The Board does not recommend the payment of an interim dividend for the three months and six months ended 30 June 2001 (three months and six months ended 30 June 2000: Nil).

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the actual progress of the Group compared with the business objectives set out in the Prospectus for the period from 26 February 2001 to 30 June 2001 (the “Review Period”).

*According to the business objectives as stated in the Prospectus dated 26 February 2001*

*Actual business progress in the Review Period*

### **Content development**

- |  |  |
|--|--|
| 1. Launch Japanese and Chinese versions of <i>www.expo24hrs.net</i>  | The Japanese and Chinese versions of <i>www.expo24hrs.net</i> were completed and put in operation on 1 June 2001.  |
| 2. Assess the possibility of and forming alliances with Internet content providers to acquire content relating to international trade and commerce | The Group performed assessment on the possibility of forming alliance with Internet content providers to acquire content relating to international trade and commerce. However, the Group has pended the formation of any alliance with any other companies until the improvement of the overall economic environment in order to reserve more fund for development of the PRC market. The suspension for the formation of alliances will have no major impact on the Group. The formation of alliances is in substance a marketing maneuver to display solidarity amongst Internet companies and this maneuver is now displaced by traditional means of association (supplier/buyer/consultant, etc.) |

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|---|--|
| <p>3. Commence development of Korean version of <i>www.expo24hrs.net</i></p>        | <p>Due to the changes in market sentiments, the development of Korean version is suspended in order to reduce the development cost. Since the <i>www.expo24hrs.net</i> is focused on the PRC market, the Directors expected that its current Japanese, English and Chinese versions are sufficient to satisfy the needs of users, so that the suspension would not have any negative impact on the number of user and visitor of <i>www.expo24hrs.net</i>.</p> |
| <p>4. Continue to enrich the contents and functions of <i>www.expo24hrs.net</i></p> | <p>The Group intended to enrich the contents and functions of <i>www.expo24hrs.net</i> by developing other specialized B2B portal in certain industries, e.g. fashion and furniture, etc. During the Review Period, the Group has completed the first phase for the fashion and furniture B2B portal, where the structure layout of the portals has been completed. It is expected that these two B2B portal will be completed in September 2001.</p>          |

### **Technology development**

- |   |   |
|---|---|
| <p>1. Initiate system migration to an Enterprise level platform supporting worldwide access with appropriate load balancing</p> | <p>Due to the change in the economic environment, the existing systems are expected to be sufficient to support the Internet traffic of <i>www.expo24hrs.net</i> for the year 2001. In view of this, the system</p> |
|---|---|

migration to an Enterprise level platform was pended and it would not have any impact on the operation of the portal. It can also save considerable resource for the development of the PRC market. With a view to reduce the cost of hosting of [www.expo24hrs.net](http://www.expo24hrs.net), the Group has migrated the portal from the data center in Australia to that in Guangzhou, the PRC.

2. Continue the development of a sales lead matching and distribution program

A sales lead matching and distribution program, which enables the Group to automate the procedures for generation and distribution of the trade information to customers, was completed in April 2001.
3. Enhance the overall system security of [www.expo24hrs.net](http://www.expo24hrs.net)

A latest version of hardware firewall was purchased by the Group in May 2001 in order to improve the security of and control for the portal.
4. Assess new technologies available in the market to improve the functions and performance of [www.expo24hrs.net](http://www.expo24hrs.net)

The Group assessed the technologies available from the magazines, journals and tradeshow. In view of the change in market sentiments, the Directors minimize the development cost for improving the function and performance of [www.expo24hrs.net](http://www.expo24hrs.net) in order to reserve more resource for the development of the PRC market. No

appropriate vendor was found to improve the functions and performance of [www.expo24hrs.net](http://www.expo24hrs.net) during the period. The board of directors believes that the Group will take time to find suitable technologies at low cost.

5. Continue to develop new web applications to enhance the features and functions of [www.expo24hrs.net](http://www.expo24hrs.net)

Due to the reasons as mentioned in point 4 above, the Group intended to develop new web application to enhance the features and functions of the portal at low cost and the research for web application is still in progress.

## **Marketing development**

1. Develop Guangzhou sales office and expand sales team in Hong Kong and Zhongshan

The sales teams in the PRC has grown gradually from approximately 79 to 107. A new sales office was opened in Shunde, the PRC in April 2001. The sales offices in Guangzhou, Shunde and Zhongshan now employ 41, 23 and 43 sales persons respectively. By reason of lower costs and the bigger market available in the PRC, the Directors decided to downsize the scale of Hong Kong office in June 2001 in order to cut down the expenses in Hong Kong office. In addition, a cost reduction measure was introduced in June 2001 and the Directors

expected that it could further reduce the selling and operation costs of the Group.

2. Establish sales offices in Thailand and Taipei

The negotiation with the prospective joint venture partners for Thailand and Taipei are progressing slowly. The progress of the negotiation has been slowed down by reason of changes in the Internet industry worldwide. Prospective terms of the joint venture have been changed to accommodate changes in the market climate in the respective markets and no consensus has yet been reached. The Group expects to continue negotiation as soon as the market sentiment and the business environment of the Internet industry stabilizes.
3. Implement marketing plans of the Group in Hong Kong, Guangzhou and Zhongshan

The marketing plans of the Group were commenced in April 2001, which include advertisements in newspapers, exhibition and trade show, magazines and TV programmes.
4. Assess and develop opportunities to expand the marketing of *www.expo24hrs.net* into new international markets

The Group has assessed the opportunities to expand the marketing of *www.expo24hrs.net* into new international markets. The expansion for the marketing of *www.expo24hrs.net* into new international markets has been suspended by reason of

changes in the market condition and for reservation of the Group's resources. The Group expects to re-assess and implement expansion strategies as soon as the market sentiment and the business environment of the Internet industry stabilizes.

5. Continue to explore and develop B2B e-commerce and other Internet and IT business opportunities

The Group still explore other IT business, such as Geographical Information System. The Group has commenced preliminary assessment for the development of Geographical Information System for sales and distribution in the PRC. No concrete decision has been made relating to this project.



## USE OF PROCEEDS

The Company obtained net proceeds, after deducting all relevant expenses, of approximately HK\$23 million from the new issue of shares by way of placing and the different of HK\$0.4 million is mainly due to the saving on the costs of printing and public relations activities. Up to 30 June 2001, the Group has applied the net proceeds as follows:

	<b>Amount extracted from the Prospectus dated 26 February 2001</b>	<b>Actual amount used up to 30 June 2001</b>
	<i>HK\$'million</i>	<i>HK\$'million</i>
Purchase of fixed assets	3.1	1.7
Development of operation hardware and software	3.0	1.8
Expansion of overseas markets	2.0	–
Marketing and promotion	2.0	0.8
Working capital	12.5	11.5
Saving on the costs of printing and public relations activities	0.4	–
Total	<u>23.0</u>	<u>15.8</u>

The remaining net proceeds as at 30 June 2001 was approximately HK\$7.2 million, which have been placed on short-term interest-bearing deposit with banks in Hong Kong.

In the light of the recent change in the market sentiments over business relating to the Internet, the Directors have carefully evaluated the spending and the business plan of the Group. In order to minimize the spending of the Group to conserve more of its resources to develop the China market and at the same time maintain its efficiency and focus, some of the business plans as mentioned in the Section “Comparison of business objectives with actual business progress” have been pending or suspended. On the other hand, a number of cost reduction control measures were introduced in June 2001. The Directors currently anticipate that the spending in working capital in the second half-year of year 2001 will be much lower than that of the period up to 30 June 2001.

#### **DIRECTORS’ INTERESTS IN SHARE CAPITAL**

As at 30 June 2001, the interests of the directors and their associates in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to 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:

<b>Name of director</b>	<b>Type of interest</b>	<b>Number of issued ordinary shares of HK\$0.05 each in the Company held</b> <i>'000</i>
Mr. Yuen Fat Ching (“Mr. Yuen”) (note)	Family	287,440
Mr. Ho Kwong Hung, Thomas (“Mr. Ho”)	Personal	11,620
Mr. Li Ka Hay, Peter (“Mr. Li”)	Personal	7,720
Mr. Lee Wing Yin (“Mr. Lee”)	Personal	3,890

*Note:* These shares were held by global.com Investments Corp. (“GIC”), a company wholly owned by Santana Enterprises Limited as the trustee of The YFC Unit Trust, 99.9% of the units of which are owned by The YFC Family Trust, a discretionary trust of which Yuen Chi Mann, Celina and Yuen Chi Tsen, Ronnie, children of Mr. Yuen, are the only beneficiaries. The balance of 0.1% of the units of the YFC Unit Trust is held by Mr. Yuen’s mother. Mr. Yuen is the settlor of The YFC Family Trust.

Mr. Ho, Mr. Li, Mr. Lee, Mr. Choi Koon Ming (“Mr. Choi”), Mr. Hui Ching Shan (“Mr. Hui”) and Mr. Ha Kee Choy, Eugene (“Mr. Ha”) hold the options to subscribe for shares in the Company, details of which are set out under the section “Directors’ and chief executives’ rights to acquire shares” below.

Save as disclosed above, as at 30 June 2001 none of the directors or their associates had any personal, family, corporate or other beneficial interest in the issued share capital of the Company or any of its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standard of dealings prescribed by the GEM Listing Rules.

## **DIRECTORS’ AND CHIEF EXECUTIVES’ RIGHTS TO ACQUIRE SHARES**

On 1 March 2000, the Company granted options to the following directors to subscribe for shares in the Company of HK\$0.05 each at HK\$0.125 per share

during a period of five years from the date of commencement of dealings of the shares on the GEM of the Stock Exchange. Details of these options are as follows:

<b>Name of director</b>	<b>Number of shares subject to the options</b>
Mr. Ho	19,568,400
Mr. Li	9,784,200
Mr. Lee	9,784,200
	39,136,800

On 25 October 2000, the Company granted options to the following directors to subscribe for shares in the Company of HK\$0.05 each at HK\$0.25 per share during a period of three years from the date of their respective first completed year of service with the Company. Details of these options are as follows:

<b>Name of director</b>	<b>Date of first completed year of service</b>	<b>Number of shares subject to the options</b>
Mr. Choi	8 August 2001	5,024,000
Mr. Hui	25 October 2001	5,024,000
Mr. Ha	25 October 2001	5,024,000
		15,072,000

Under the terms of a share option scheme conditionally adopted by the Company on 19 February 2001 (the “Share Option Scheme”), the directors may at their discretion grant options to full time employees of the Group, including directors of the Company, to subscribe for shares in the Company. Details of the Share Option Scheme are set out at pages 195-198 of the Prospectus. The Share Option Scheme became effective upon the listing of the Company’s shares on the GEM of the Stock Exchange on 2 March 2001.

Under the Share Option Scheme, on 19 February 2001, options comprising a total of 111,908,000 underlying shares have been conditionally granted to three directors and thirty-two employees of the Group to subscribe for shares in the Company of HK\$0.05 each at HK\$0.25 per share during a period of five years after completion of one year’s service with the Group. Details of these options and their movements from 19 February 2001 to 30 June 2001 are as follows:

<b>Grantees</b>	<b>Date of first completed year of service</b>	<b>Number of shares subject to the options granted on 19 February 2001</b>	<b>Number of shares subject to the options lapsed during the period</b>	<b>Number of shares subject to the options as at 30 June 2001</b>
<i>Directors</i>				
Mr. Ho	1 February 2001	28,048,000	–	28,048,000
Mr. Li	1 February 2001	18,000,000	–	18,000,000
Mr. Lee	8 February 2001	18,000,000	–	18,000,000
<i>Employees</i>				
		47,860,000	(17,300,000)	30,560,000
		<u>111,908,000</u>	<u>(17,300,000)</u>	<u>94,608,000</u>

No options as described above have been exercised or cancelled from 19 February 2001 to 30 June 2001. Due to the resignations of certain employees, options comprising an aggregate of 17,300,000 underlying shares as stated above were lapsed during the above period. No further options, other than those as set out at pages 199-200 of the Prospectus, have been granted under the Share Option Scheme during this period.

Apart from the foregoing, neither the Company, its holding company nor any of its subsidiaries is a party to any arrangement to enable the Company's directors, their respective spouses, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30 June 2001, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

<b>Name</b>	<b>Number of shares held</b>	<b>Percentage of issued shares</b>
GIC ( <i>note 1</i> )	287,440,000	44.06
Sun Wah Net Investment Limited (“Sun Wah”) ( <i>note 2</i> )	95,474,000	14.64
Ceroilfood Finance Limited	84,910,000	13.02

*Notes:*

- (1) The interests of Mr. Yuen in GIC has been disclosed under the section “Directors’ interests in share capital” above.

- (2) The Company has issued a convertible redeemable note to Sun Wah with a principal amount of HK\$8 million (the “Note”). On 4 April 2001, the Company has redeemed part of the Note in the principal sum of HK\$2 million. Upon full conversion of balance of the Note of HK\$6 million, Sun Wah will hold approximately an additional 5% of the enlarged issued share capital of the Company without taking into account any shares which may fall to be issued upon exercise of any share options and upon conversion of the remaining convertible redeemable notes, outstanding as at 30 June 2001.

Save as disclosed above, the directors were not aware of any person who was, directly or indirectly, interested in 10% or more of the issued share capital of the Company as at 30 June 2001 that was required to be recorded under Section 16(1) of the SDI Ordinance.

## **COMPETING INTERESTS**

None of the Directors nor the management shareholders have any interest in any business that directly or indirectly compete with the business of the Group.

## **SPONSOR’S INTERESTS**

As updated and notified by the Company’s continuing sponsor, Oriental Patron Asia Limited (“OP”), as at 30 June 2001, neither OP nor its directors or employees or associates had any interests in the share capital of the Company.

Pursuant to the agreement dated 23 February 2001 made between OP as the sponsor and the Company, OP received, and will receive, fees for acting as the Company’s retained sponsor for the period from 2 March 2001 to 31 December 2003.

## **AUDIT COMMITTEE**

The Company set up an audit committee (the “Committee”) on 19 February 2001 with written terms of reference for the purpose of reviewing of and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises two independent non-executive directors and one executive director. The Group’s quarterly results for the three months and six months ended 30 June 2001 have been reviewed by the Committee, who were of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures had been made.

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

On 4 April 2001, the Company has redeemed the HK\$2 million convertible redeemable note issued to Purple Stone Worldwide Limited and part of the HK\$8 million convertible redeemable note issued to Sun Wah in the principal sum of HK\$2 million.

Save as disclosed above, since the shares of the Company commenced trading on GEM on 2 March 2001, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the period.

**BY ORDER OF THE BOARD**

**Choi Koon Ming**

*Chairman*

Hong Kong, 9 August, 2001