



# iAsia Technology Limited

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

## Third Quarter Report 2001

(For the period from 1st April 2001 to 30th June 2001)



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

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# iAsia Technology Limited

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

The board ("Board") of directors ("Directors") of iAsia Technology Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the three-month period ended 30th June 2001 ("Reporting Quarter") and nine-month period ended 30th June 2001 ("Nine Month Period").

## **HIGHLIGHTS**

- Turnover amounted to approximately HK\$1.24 million during the Reporting Quarter, representing an increase of approximately 213% from approximately HK\$396,000 during the period from 1st January 2001 to 31st March 2001 (the "Previous Quarter").
- As at 30th June 2001, the Group provided services to approximately 40 brokers and / or their related system providers in Hong Kong for the provision of online securities trading systems services.
- Successful listing on GEM on 9th April 2001.
- The Board does not recommend the payment of an interim dividend for the Nine Month Period.

## **INTRODUCTION**

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 and taking care of both the front end execution and the back office settlement sides.

## **BUSINESS REVIEW**

The Group successfully sought a listing status on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9th April 2001 (stock code 8101), and raised net proceeds of approximately HK\$51 million. The Group intends to apply the proceeds to develop its operations in accordance with the business plan as stated in the Company's prospectus dated 23rd March 2001 (the "Prospectus").

On 20th April 2001, the Group entered into a sale and purchase agreement (the "Agreement") with an independent third party. Pursuant to the Agreement, the Group has acquired the entire issued share capital of Bostonian Investments Limited, a company engages in the provision of the development of an advanced broker supplied system ("BSS"), for a total consideration of HK\$4 million.

In May 2001, the Group entered into a deed of software assignment (the "Deed") with China Rise Consultants Limited ("China Rise"), a company engages in the provision of software development and licensing business. Pursuant to the Deed, the Group paid a total consideration of HK\$7 million to China Rise for all proprietary and intellectual property rights of its self-developed financial trading solutions including futures and foreign exchange trading back office systems (the "Systems"). In the Deed, China Rise has also guaranteed to the Group a revenue of not less than HK\$1 million generated from the exploitation of the Systems within a period of three months from the date of the Deed. Should there be any short fall, deduction would be made from the final payment of HK\$5 million on or before 30th November 2001.

The Directors consider the above acquisitions will strengthen the Group's current full range of products, shorten the Group's time and resources to be spent in the Group's planned research and development, and working towards the Group's planned products functionalities of "Five Multiples" as stated in the Prospectus; an important step towards the Group's seamless straight-through-process ("STP") of financial trading which cover not just stock broking.

As for the progress of the Group's overseas expansion plan, the Group has decided to put on hold the pre-incorporation process and continue renegotiating with Computershare Systems Phils., Inc., for the incorporation of a joint venture company in the Philippines, with a view to fine tune the structure of the joint venture company so as to obtain the most efficient and effective manner, as well as adopting a "wait and see" strategy given the political and economic uncertainties in the Philippines. As such, the Group will delay in launching its services in the Philippines and has temporarily delayed the business plan as stated in the Prospectus.

After taking into consideration of the current economic environment in Thailand and other administrative reasons, the Group has formally terminated its relationship with its Thai local partner, Qyxx Holdings Limited, on 31st May 2001. Meanwhile, the Group continued to perform sales activities alone in Thailand. During the Reporting Quarter, the Group has received enquiries and has entered into letters of intent with two of the largest brokers in Thailand, those equivalent to category "A" brokers in Hong Kong. In view of the above, the Group has decided to re-examine the timetable of launching its services in Thailand, and has caused some deviations from the business plan as stated in the Prospectus.

As at 30th June 2001, the Group provided services to approximately 40 brokers and / or their related system providers in Hong Kong for the provision of online securities trading systems services. During the Reporting Quarter, the Group had assisted six brokers in passing all requirements laid down by the Stock Exchange for launching of their respective trading system. One of them has already gone live on 12th April 2001, under the third batch designated by the Stock Exchange, and the remaining five have been designated under the fourth batch by the Stock Exchange and expect to launch their respective trading system by the end of July 2001. These brokers will be supplied with the Group's latest version of BSS systems, as well as the Group's integrated front-to-end STP systems.

## **FINANCIAL REVIEW**

Following the success of initial public offering ("IPO") of the Company, the Group's sales activities have also improved during the Reporting Quarter. Turnover amounted to approximately HK\$1.24 million during the Reporting Quarter, representing an increase of approximately 213% from approximately HK\$396,000 during the Previous Quarter. The management believes the listing status of the Company provides much confidence to the Group's broker clients, and the Directors expects sales turnover to grow steadily over the next few months.

There was also significant increase in other income, from approximately HK\$87,000 during the Previous Quarter to approximately HK\$649,000 in the Reporting Quarter. This is mainly due to interest earned from the net proceeds of the Group's initial public offering of shares of the Company.

Since some of the Group's clients will be launching their systems under the fourth batch by the end of July 2001, the Directors believe that it would generate more trades and messaging fee income to the Group in the coming months.

Meanwhile, the management has imposed a tight control on costs through downsizing and implementing a more efficient operating system during the Reporting Quarter. However, total expenses increased slightly from HK\$6.16 million to HK\$6.64 million from the Previous Quarter. This is mainly due to severance payments as the Group has significantly reduced its headcount. As at 30th June 2001, total headcount within the Group amounted to approximately 40, compared to approximately 50 on 1st April 2001. Moreover, as the terms of the rental in the Group's research and development center in Pottinger Street, Hong Kong expired in May 2001, all technical staff has moved into the Group's head office, thus cutting further rental and administrative expenses. The Directors expect the benefits of the above cost cutting measures during the Reporting Quarter will be reflected in the next quarter.

## FUTURE PROSPECTS

The Group intends to concentrate its effort on expanding its operations in the Pan-Asian Region as stated in the Prospectus, but in a more selective and prudent approach. However, execution of such business plan would be subject to further market research, timing and strategy for market entrance.

The Directors will continue to explore other opportunities that can leverage on the Group's current business and sales network, including further acquisition of businesses that will enhance the Group's research and development capabilities.

## THIRD QUARTERLY RESULTS

		<b>The Group</b>	<b>Company</b>	<b>The Group</b>	<b>Company</b>
		<b>Three month</b>	<b>Three month</b>	<b>Nine Month</b>	<b>From 24th</b>
		<b>period ended</b>	<b>period ended</b>	<b>period ended</b>	<b>September</b>
		<b>30th June</b>	<b>30th June</b>	<b>30th June</b>	<b>1999 to</b>
		<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>30th June</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	(2)	<u>1,241</u>	<u>270</u>	<u>1,749</u>	<u>270</u>
Loss before taxation		(5,971)	(4,436)	(18,870)	(8,177)
Taxation	(3)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss attributable to shareholders		<u>(5,971)</u>	<u>(4,436)</u>	<u>(18,870)</u>	<u>(8,177)</u>
Loss per share — basic	(4)	<u>(1.4 cents)</u>	<u>(2.7 cents)</u>	<u>(4.9 cents)</u>	<u>(14.2 cents)</u>

Notes:

### 1. Basis of presentation

The Company was incorporated in Hong Kong with limited liability on 24th September 1999. Five subsidiaries were acquired by the Company during the Nine Month Period. Accordingly, the Company's results have been presented for the period from 24th September 1999 to 30th June 2000 and the consolidated results of the Group have been presented for the Nine Month 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-Asian Region. Turnover and revenue recognised during the Reporting Quarter, Nine Month Period and their corresponding periods in 2000 are as follows:—

	<b>The Group Three month period ended 30th June 2001 HK\$'000</b>	<b>Company Three month period ended 30th June 2000 HK\$'000</b>	<b>The Group Nine Month period ended 30th June 2001 HK\$'000</b>	<b>Company From 24th September 1999 to 30th June 2000 HK\$'000</b>
Turnover				
System customisation fees	78	—	148	—
Hook up fees	250	30	335	30
Sale of trading and back office systems	555	240	780	240
Messaging fees	85	—	133	—
Data management fees and hosting fees	17	—	24	—
Content management and subscription fees	92	—	112	—
Maintenance fees	164	—	217	—
	<u>1,241</u>	<u>270</u>	<u>1,749</u>	<u>270</u>
Other revenue	<u>649</u>	<u>83</u>	<u>863</u>	<u>150</u>
Total revenue	<u>1,890</u>	<u>353</u>	<u>2,612</u>	<u>420</u>

## 3. Taxation

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

## 4. Loss per share

The calculation of basic loss per share for the Nine Month Period is based on the loss attributable to shareholders of approximately HK\$18,870,000 (2000: loss of approximately HK\$8,177,000) and the weighted average number of 384,725,868 shares (2000: 57,782,242 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 basic loss per share for the Reporting Quarter is based on the loss attributable to shareholders of approximately HK\$5,971,000 (2000: loss of approximately HK\$4,436,000) and the weighted average number of 442,087,912 shares (2000:

164,002,510 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.

No dilutive loss per share for the Reporting Quarter, Nine Month Period and their correspondence periods in 2000 has been presented, as the exercise of the share options would have an anti-dilutive effect.

## 5. Reserves

Movements in reserves during the Reporting Quarter, Nine Month Period and their corresponding periods in 2000 are as follows:

	Three months ended			30th
	Share premium	Accumulated losses	Total	June 2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of the period	12,987	(23,461)	(10,474)	12,657
Loss attributable to shareholders	—	(5,971)	(5,971)	(4,436)
Capitalisation issue of shares	(6,787)	—	(6,787)	—
Proceeds from issue of shares	54,000	—	54,000	—
Placements and public offering expenses	(11,711)	—	(11,711)	—
End of the period	<u>48,489</u>	<u>(29,432)</u>	<u>19,057</u>	<u>8,221</u>
				<b>From to 24th</b>
				<b>September</b>
				<b>1999 to</b>
				<b>30th June</b>
				<b>2000</b>
				<b>Total</b>
				<b>HK\$'000</b>
Beginning of the period	6,000	(10,562)	(4,562)	—
Loss attributable to shareholders	—	(18,870)	(18,870)	(8,177)
Capitalisation issue of shares	(6,787)	—	(6,787)	16,398
Proceeds from issue of shares	60,987	—	60,987	—
Placements and public offering expenses	(11,711)	—	(11,711)	—
End of the period	<u>48,489</u>	<u>(29,432)</u>	<u>19,057</u>	<u>8,221</u>

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Nine Month period ended 30th June 2001 (2000: Nil).



## Directors' and Chief Executives' Interests in Shares and Options

### (i) Shares

As at 30th June 2001, 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	Number of Shares held			Other
		Personal	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:—

1. 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.
2. 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.
3. 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. 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.

4. 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. 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.
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.
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.

*(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 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.

Pursuant to the Pre-IPO share options ("Pre-IPO Share Options") granted under the Pre-IPO share option plan ("Pre-IPO Share Option Plan"), 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.

<b>Name of directors</b>	<b>Date of grant</b>	<b>Exercise price HK\$</b>	<b>No. of share options outstanding as at 9th April 2001</b>	<b>Expiry date</b>
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 Option 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:

<b>Commencing from</b>	<b>Percentage of the Pre-IPO Share Options that can be exercised</b>
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 Reporting Quarter was the Company or any of its subsidiaries a party to any arrangements to enable the Directors 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 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, other than a director or a chief executives of the Company, as having an interest of 10% or more of the issued share capital of the Company as at 30th June 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 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'S 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. Services amounting to HK\$130,043 has been performed and charged by the Company during the Reporting Quarter.

As at 30th June 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 entered 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

The Directors 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 on 14th March 2001) and were outstanding. Details of options granted and, as at 30th June 2001, remaining unexercised under the Pre-IPO Share Option Plan remain unchanged as disclosed on page 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 Option Plan 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 9th April 2001	Movement during the period			As at 30th June 2001	No. of new shares arising therefrom
	No. of Options	Granted	Exercised	Cancelled	No. of Options	
Directors						
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 and 5.24 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 to the date of this report.

## **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  
**Yuen Tien Yau, Gordon**  
*Executive Director*

Hong Kong, 10th August 2001