



**MRC HOLDINGS LIMITED**

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

**FIRST QUARTERLY REPORT  
FOR THE THREE MONTHS ENDED  
30TH SEPTEMBER, 2001**

## **CHARACTERISTICS OF THE GEM**

**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 at [www.hkgem.com](http://www.hkgem.com) 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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*This report, for which the directors of MRC Holdings Limited (the "Company") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## SUMMARY

- Recorded an unaudited combined turnover of approximately HK\$1.4 million for the three months ended 30th September, 2001.
- Recorded an unaudited combined loss of approximately HK\$0.7 million for the three months ended 30th September, 2001.

## CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of MRC Holdings Limited, I am pleased to present the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 30th September, 2001 together with comparative unaudited figures for the corresponding period in 2000.

### Results

		Three months ended 30th September,	
		2001	2000
	Note	HK\$'000	HK\$'000
Turnover	2	1,417	1,732
Cost of sales		(57)	(261)
Gross profit		1,360	1,472
Other revenue		118	2
Distribution costs		(80)	(58)
Administrative expenses		(1,948)	(388)
Other operating expenses		(116)	(262)
Operating profit		(666)	765
Finance costs		(1)	(1)
(Loss) / Profit before taxation		(667)	764
Taxation	3	0	(122)
(Loss) / Profit after taxation		(667)	642
(Loss) / Earnings per share - basic	4	(0.18) cents	0.18 cents

Notes:

#### 1. Basis of presentation

The Company was incorporated in the Cayman Islands on 12th February, 2001 as an exempted company with limited liability under the Companies Law (2001 Revision) of the Cayman Islands. Pursuant to a group reorganization, which was completed on 21st May, 2001 to rationalize the Group's structure in preparation for a listing of the Company's share on GEM, the Company acquired the entire issued share capital of Cyber Dynamic Enterprise Limited ("CDEL") through a share swap and became the holding company of CDEL and its subsidiary.

The results of the Group have been prepared on a merger basis as if the current group structure had been in existence throughout the periods under review or since the respective dates of incorporation or establishment of the respective subsidiaries now comprising the Group, whichever is a shorter period.

All significant intra-group transactions and balances have been eliminated on combination.

The principal accounting policies adopted in preparing the unaudited consolidated results conform with Statement of Standard Accounting Practice issued by the Hong Kong Society of Accountants.

## 2. Turnover

The Group is principally engaged in the development and sale of software and resale of hardware products and the provision of maintenance services in Hong Kong and the Peoples' Republic of China (the "PRC"). Revenue recognized during the period is as follows: -

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
By Principal activities		
Software project income	781	1,304
Render of maintenance services	636	428
	<u>1,417</u>	<u>1,732</u>
By Principal markets		
Hong Kong	1,197	1,732
PRC	220	0
	<u>1,417</u>	<u>1,732</u>

## 3. Taxation

No provision for the Hong Kong profits tax (2000: 16%) have been made as no assessable profits during the period.

## 4. Earning per shares

The calculation of the Group's basic (loss) per share for the three months ended 30th September, 2001 is based on the Group's unaudited consolidated loss attributable to shareholders of approximately HK\$667,000 and the weighted average of 374,350,000 shares deemed to be issued during the period.

The calculation of the Group's basic earnings per share for the three months ended 30th September, 2000 is based on the Group's unaudited consolidated profit attributable to shareholders of approximately HK\$642,000 and the weighted average number of 364,000,000 shares in issue.

No diluted (loss)/earnings per share is shown because there were no dilutive potential ordinary shares.

## 5. Reserves

There has been no transfer to or from reserves during the three months ended 30th September, 2001 and 30th September, 2000.

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 30th September, 2001 (2000: Nil).

## **COMPETING INTEREST**

During the period under review, none of the directors or the initial management shareholders or substantial shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

## **BUSINESS REVIEW AND PROSPECTS**

### **Financial Review**

During the first quarter of the 2002 financial year, turnover decreased by approximately 18% to approximately HK\$1.4 million as compared with the corresponding period of last year. Moreover, the Group recorded a net loss of HK\$0.7 million for the first quarter of 2002 as a result of difficult economic condition pertaining to the computer industry.

The financial position of the Group remains healthy with a non-gearing capital structure. With the net proceeds from listing the shares of the Company on GEM, the Group has a cash balance of approximately HK\$12 million.

### **Business Development**

#### *Sales and Marketing*

Despite the downtrend of the computer industry and the Group is still recruiting more sales and marketing staff to join the sales and marketing team, it is expected that enhancement of the sales and marketing team will finally increase the Group's turnover and image. During the period, the Group has appointed Countrytech Recruitment to become one of its re-sellers and is now negotiating with a Hong Kong listed company as its re-seller in Macau. Moreover, the Group will team up with a multinational CPA firm as a local partner to promote the Group's products to their customers.

#### *Geographic Expansion*

A new subsidiary in which the Group owned 70% interest has been set up to hold a wholly owned foreign enterprise (the "Enterprise") in Dongguan, the PRC. The Enterprise will be the Group's head quarter in the PRC and will be responsible for the sales and marketing of the Group's products and services in the PRC. The Company has conducted a lot of marketing activities in the PRC including participating in one IT exhibition and holding one seminar in Dongguan. By the formation of the Enterprise in the PRC, it is expected that the Group will penetrate into the PRC market gradually.

#### *Research and development*

The Group has still deployed resources to develop a new human resources system running thin client environment and MRC code technologies. The new products are currently undergone system testing and it is expected that the new products will be available for sale early next year.

## SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 30th September, 2001, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed below in respect of the Directors and chief executives.

	Number of shares			Percentage
	Personal interests	Corporate Interests	Total	of Issued share capital
High Peak Development Limited ("High Peak") (note 1)	Nil	200,400,000	200,400,000	49.43%
Mr. Ho Kwok Kin ("Mr. Ho") (note 1)	Nil	200,400,000	200,400,000	49.43%
FlexSystem Limited (note 2)	Nil	119,600,000	119,600,000	29.50%
FlexSystem Holdings Limited (note 2)	Nil	119,600,000	119,600,000	29.50%

1. High Peak was incorporated in the Birtish Virgin Islands and its entire issued share capital is beneficially owned as to about 71.27% by Mr. Ho, as to about 21.95% by Madam So Miu Han, Simee who is the wife of Mr. Ho, as to about 4.07% by Mr. Lau Yuk Cheong ("Mr. Lau") and as to about 2.71% by Mr. Cheng Ho Yip.
2. FlexSystem Limited was incorporated in Hong Kong and is a wholly owned subsidiary of FlexSystem Holdings Limited, the issued shares of which are listed on GEM.

## DIRECTORS' INTERESTS IN EQUITY AND EXECUTIVES' INTEREST IN SECURITIES

At 30th September, 2001, the interests of the directors and chief executive in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

	Personal interests	Number of shares Corporate interests (note)	Total
Mr. Ho	Nil	200,400,000	200,400,000
Mr. Lau	Nil	200,400,000	200,400,000

*Note:* These shares were held by High Peak Development Limited ("High Peak"), a private company beneficially owned by as to about 71.27% by Mr. Ho, as to about 21.95% by Madam So Miu Han, Simee who is the wife of Mr. Ho, as to about 4.07% by Mr. Lau and as to about 2.71% by Mr. Cheng Ho Yip.

At no time during the year was the Company, any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or any of their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### **SHARE OPTION SCHEME**

Under a share option scheme (the "Scheme") adopted by the shareholders of the Company on 21st May, 2001, the Directors may, at their absolute discretion, invite any full-time employee of the Company or any of its subsidiaries, including any executive director but excluding the non-executive directors of the Company or any such subsidiaries, to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

As at the date of this report, no option was granted by the Company under the Scheme.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the three months ended 30th September, 2001.

### **SPONSOR'S INTERESTS**

CSC Asia Limited (the "Sponsor") has entered into a sponsorship agreement with the Company whereby, for a fee, the Sponsor will act as the Company's continuing sponsor for the purpose of Chapter 6 of the GEM Listing Rules for the remaining period up to 30th June, 2003.

Save as disclosed above, neither the Sponsor nor its directors or employees or associates (as defined in the GEM Listing Rules), as at 30th September, 2001, had any interest in the securities of the Company or any member of the Group or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

By order of the Board  
**Ho Kwok Kin**  
*Chairman*

Hong Kong, 8th November, 2001