



iAsia Technology Limited

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

First Quarterly Report 2002

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This report, for which the directors of IASIA TECHNOLOGY LIMITED collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to IASIA TECHNOLOGY LIMITED. The directors of IASIA TECHNOLOGY LIMITED, 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.

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 (collectively the "Group") for the three-month period ended 31st December 2001 ("Reporting Quarter").

Highlights

- Despite adverse market conditions, revenue achieved a 21% growth over the previous quarter and amounted to approximately HK\$2,286,000 for the Reporting Quarter, or represented a 10-fold increase against the total revenue for the corresponding quarter in 2000.
- Completion of the acquisitions of the entire issued share capital of CFN Hongkong Limited (together with its subsidiaries) and CFN (UK) Limited (collectively "CFN Companies") by two stages respectively took place on 9th November 2001 and 5th December 2001 (the "Acquisitions"). The consideration for the Acquisitions was satisfied by way of issue of new shares of the Company.
- More emphasis was put on sales of trading and back-office systems which had become the largest component of the total turnover.
- As a result of intense scrutiny of expenses, loss before interest, tax, depreciation and amortisation for the Reporting Quarter reduced by 7% compared with the corresponding quarter in 2000.
- The Group remains in strong cash position with approximately HK\$48 million as of 31st December 2001 and without any bank borrowings.
- The Board does not recommend the payment of an interim dividend for the Reporting Quarter.

The unaudited consolidated results for the three months ended 31st December 2001 and the comparisons with the corresponding quarter in 2000 are set out on page 5 of this report.

BUSINESS REVIEW

During the Reporting Quarter, the Group has successfully acquired the entire issued share capital of the respective CFN Companies. The principal business of CFN Companies includes provision of online trading solutions to small and medium sized brokers and financial institutions in Asia. With an established presence in the United Kingdom, the Directors believe that the Acquisitions can help the Group to expand its business to the European markets.

The Acquisitions were completed by two stages. The first stage was completed on 9th November 2001 with the acquisition of 35% equity interest in CFN Hongkong Limited and a total of 35.25% effective interest of CFN (UK) Limited. The second stage saw the completion of the acquisitions of the entire remaining interest in these companies on 5th December 2001.

Pursuant to the Acquisitions, an aggregate of 117,078,572 new shares of the Company (representing approximately 20.65% of the enlarged issued share capital of the Company) were issued at an issue price of HK\$0.70 per share as consideration for the Acquisitions, resulting in an increase of approximately HK\$65,796,000 (net of share issue expenses) in the share premium of the Company.

The Directors consider the Acquisitions will not only broaden the earning base of the Group but will also strengthen the shareholder base of the Company with the enlarged issued share capital.

In the quarter ahead, thorough business reviews will take place as to evaluate the position of each business units with a view to effect those strategic and structural changes that will best assist the overall consolidation of the new Group.

FINANCIAL REVIEW

Despite the global economic downturn that slowed down the capital spending in the financial trading industry, the Group's revenue has achieved a growth rate of 21% from the previous quarter and amounted to approximately HK\$2,286,000 during the Reporting Quarter, or represented a 10-fold increase against the total revenue for the corresponding quarter in 2000. More emphasis was put on sales of trading and back-office systems which continue to represent the largest component of the total turnover. Accordingly, revenue from after-sales services, such as maintenance fees and system customization fees also increase. Besides, the Group will strive to broaden its product range.

Following the completion of Acquisitions in December 2001, management has implemented a range of pro-active measures to consolidate the assets and to rationalize the business structure of the new Group with an aim to achieve the most synergy from the Acquisitions. While staff costs remain to be the largest component of the operating expenses, certain staff cuts already took place over the Reporting Quarter. The total headcount was reduced from 70 (combined headcount of the CFN Companies and the Group before the completion of Acquisitions) as of September 2001 to 50 as of December 2001, which is expected to create cost savings of approximately HK\$6.3 million on an annual basis. While significant leave compensation was paid out due to the staff cuts, the full benefit from these cutback is yet to show up in the future period's profit and loss account. It is anticipated that the consolidated operating expenses will continue to be lowered by implementing more rational cost control measures.

Management continues to tightly manage all operating and capital expenditures as part of the ongoing review of the business operations. Apart from closely reviewing the headcount, a series of cost cutting measures have been put in place to further reduce operating expenses. As a result, loss before interest, tax, depreciation and amortisation for the Reporting Quarter reduced by 7% compared with the corresponding quarter in 2000.

Depreciation and amortisation expenses increase following the completion of the software development and as a result of increase in the product range arising from the various acquisitions over the past year.

With the passing of the capital expenditure-intensive period, management believe that the Group will be in a favorable position to capture the benefits from the previous investments.

The Acquisitions also brought in additional cash to the Group. As of 31st December 2001, the Group has cash balance of approximately HK\$48 million without any bank borrowings.

FUTURE PROSPECTS

The Group will continue to endeavor its effort and resources in the expansion of financial trading services technology and network in the Pan-Asian Region. Apart from the sales of front-office and back-office solutions and other relevant after-sales services, the Group will continue to capitalize on the existing broker community for

further business opportunities. Following the acquisitions of CFN Companies, activities under review include facilitating overseas or local brokers or financial institutions in the placement, underwriting and initial public offerings of equities and other securities in Hong Kong and European markets, for which CFN Companies have established presence.

Elsewhere, while the market condition in most Pan-Asian countries is still gloomy, the Group has put focus on its expansion plan to the PRC market, which is expected to take off once the regulatory environment is clear. In penetrating the market, the Group is considering to forge closer link with local brokerage firms, which have growth prospect and potential to branch out its business to different cities in the mainland. Through our shareholders' support and with the attractiveness of iAsia brand, the Group has access to a number of exciting investment opportunities.

UNAUDITED CONSOLIDATED QUARTERLY RESULTS*For the three months ended 31 December 2001*

	Notes	Three month period ended 31st December	
		2001 HK\$'000	2000 HK\$'000
Turnover	(2)	<u>2,286</u>	<u>112</u>
Total revenue		2,530	238
Staff costs		(5,022)	(5,060)
Changes in work-in-progress		(220)	212
Staff costs capitalized under fixed assets		–	992
Other operating expenses		<u>(2,039)</u>	<u>(1,549)</u>
EBITDA*		(4,751)	(5,167)
Depreciation		(2,359)	(947)
Amortisation of goodwill	(4)	(585)	–
Finance costs		(1)	(13)
Share of loss of associated companies**		<u>(568)</u>	<u>–</u>
Loss for the period		<u>(8,264)</u>	<u>(6,127)</u>
Loss per share – basic	(5)	<u>(1.67 cents)</u>	<u>(1.73 cents)</u>

* EBITDA represents earnings before interest, tax, depreciation and amortisation.

** Associated companies are CFN (UK) Limited and CFN Hongkong Limited and subsidiaries, which, upon the completion of Acquisitions on 5th December 2001, became the wholly owned subsidiaries of iAsia Technology Limited.

Notes:

1. Basis of presentation

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 recognized during the Reporting Quarter and the corresponding quarter in 2000 are as follows:

	Three month period ended 31st December	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover		
System customisation and network support fees	433	–
Sales of trading and back office systems	1,005	15
Maintenance fees	294	–
Hook up fees	285	55
Data management fees and hosting fees	17	5
Messaging fees	85	17
Content management and subscription fees	167	20
	2,286	112
Other revenue	244	126
Total revenue	2,530	238

3. Taxation

No provision for Hong Kong profits tax has been made as the Group has no assessable profits during the Reporting Quarter and the corresponding quarter in 2000.

4. Goodwill

	<i>HK\$'000</i>
At cost, acquisitions during the Reporting Quarter	48,622
Less: amortization during the Reporting Quarter	(585)
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Net book value at 31 December 2001	48,037
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Goodwill, which represents the excess of purchase consideration over the fair values of the iAsia's share of the net assets of the acquired subsidiaries at the date of acquisition, is recognized as an asset and amortized using the straight-line method over its estimated useful economic life.

Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

5. Loss per share

The calculation of basic loss per share for the Reporting Quarter is based on the loss attributable to shareholders of approximately HK\$8,264,000 (2000: loss of approximately HK\$6,127,000) and the weighted average number of 495,963,121 shares (2000: 355,100,621 shares) in issue during the Reporting Quarter.

Diluted loss per share has not been presented for the Reporting Quarter and the corresponding quarter in 2000 as the conversion of potential ordinary shares to ordinary shares would have an anti-dilutive effect to the basic loss per share.

6. Reserves

Movements in reserves during the Reporting Quarter and the corresponding quarter in 2000 are as follows:

	Three month period ended 31st December 2001			
	Share premium	Accumulated losses	Exchange reserve	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Beginning of the period	48,489	(38,942)	–	9,547
Loss attributable to shareholders	–	(8,264)	–	(8,264)
Premium from issue of shares	70,247	–	–	70,247
Share issue expenses	(4,451)	–	–	(4,451)
Translation	–	–	176	176
	<u>114,285</u>	<u>(47,206)</u>	<u>176</u>	<u>67,255</u>
End of the period	<u>114,285</u>	<u>(47,206)</u>	<u>176</u>	<u>67,255</u>

	Three month period ended 31st December 2000			
	Share premium	Accumulated losses	Exchange reserve	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Beginning of the period	6,000	(10,562)	–	(4,562)
Loss attributable to shareholders	–	(6,127)	–	(6,127)
Premium from issue of shares	6,987	–	–	6,987
	<u>12,987</u>	<u>(16,689)</u>	<u>–</u>	<u>(3,702)</u>
End of the period	<u>12,987</u>	<u>(16,689)</u>	<u>–</u>	<u>(3,702)</u>

INTERIM DIVIDEND

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

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which a Director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Quarter or at any time during the Reporting Quarter.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND OPTIONS

(i) Shares

As at 31st December 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	Notes	Number of shares held			
		Personal	Family	Corporate	Other
Dr. Ho Hung Sun, Stanley	(1)	–	–	73,846,513	–
Dr. Lee Jun Sing	(2)	–	–	62,997,029	–
Mr. Ko Chun Fung, Henry	(3)	–	–	59,433,722	–
Mr. Yuen Tien Yau, Gordon	(3)	–	–	59,433,722	–
Mr. Cheng Kar Shing, Peter	(4)	–	–	52,809,819	–
Mr. Fung Hoo Wing, Thomas	(5)	–	–	52,809,819	–
Mr. Ho Yau Lung, Lawrence	(6)	–	–	42,326,273	–
Mr. 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 13.02% 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 11.11% of the issued share capital of the Company.

3. Mr. Ko Chun Fung, Henry will be taken to be interested in 59,433,722 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 10.48% of the issued share capital of the Company. Mr. Yuen Tien Yau, Gordon will also be taken to be interested in 59,433,722 Shares as a result of him being beneficially interested in 49% of the issued share capital of Capital Speed Limited. The 59,433,722 Shares represent the same interest held by Capital Speed Limited and are therefore duplicated between Mr. Ko Chun Fung, Henry and Mr. Yuen Tien Yau, Gordon.
4. Mr. 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 9.31% 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 Mr. Fung Hoo Wing, Thomas and Mr. Cheng Kar Shing, Peter.
5. Mr. Fung Hoo Wing, Thomas will be taken to be interested in 52,809,819 Shares as a result of him being beneficially interested in $33\frac{1}{3}\%$ 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 9.31% of the issued share capital of the Company.
6. Mr. 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 7.46% of the issued share capital of the Company.
7. Mr. 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 6.42% of the issued share capital of the Company.

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

Pursuant to the new share option scheme ("New Share Option Scheme") adopted by the Company on 29th November 2001 (which supersedes the previous share option scheme of the Company adopted on 14th March 2001), the Directors may at their discretion grant options to the employees or Directors of the Group or such other persons who are eligible for participation in the scheme to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the New Share Option Scheme.

Pursuant to the Pre-IPO share options (“Pre-IPO Share Options”) granted under the Pre-IPO share option plan adopted by the Company on 14th March 2001 (“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.

Name of Directors	Date of grant	Exercise price HK\$	No. of shares subject to options outstanding as at 31st December 2001		Expiry date
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
Mr. Ko Chun Fung, Henry	6th April 2001	0.49	8,961,458		8th October 2005
Mr. Yuen Tien Yau, Gordon	6th April 2001	0.49	2,822,916		8th October 2005
Mr. Cheng Kar Shing, Peter	6th April 2001	0.49	2,100,000		8th October 2005
Mr. Ho Yau Lung, Lawrence	6th April 2001	0.49	2,100,000		8th October 2005
Mr. 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 Plan are set out at pages 184-186 of the prospectus of the Company dated 23rd March 2001 (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 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 executive of the Company, as having an interest of 10% or more of the issue share capital of the Company as at 31st December 2001 are as follows:

Name	Number of Shares	Percentage of issued share capital as at 31st December 2001
Bailey Development Limited	73,846,513	13.02%
Best Summit International Limited	62,997,029	11.11%
Capital Speed Limited	59,433,722	10.48%

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 Option Plan (as approved by the Directors of the Company on 14th March 2001) and were outstanding. Details of options granted and, as at 31st December 2001, remaining unexercised under the Pre-IPO Share Option Plan remain unchanged as disclosed on page 186 of the Prospectus.

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 1st October 2001		As at 31st December 2001		No. of new Shares arising therefrom
	No. of Shares subject to options granted	Exercised	Lapsed	No. of new Shares subject to options granted	
Directors					
Dr. Ho Hung Sun, Stanley	2,100,000	-	-	2,100,000	-
Dr. Lee Jun Sing	8,961,458	-	-	8,961,458	-
Mr. Ko Chun Fung, Henry	8,961,458	-	-	8,961,458	-
Mr. Yuen Tien Yau, Gordon	2,822,916	-	-	2,822,916	-
Mr. Cheng Kar Shing, Peter	2,100,000	-	-	2,100,000	-
Mr. Ho Yau Lung, Lawrence	2,100,000	-	-	2,100,000	-
Mr. Fung Wing Cheung, Tony	2,100,000	-	-	2,100,000	-
Other senior management employees	15,070,834	-	-	15,070,834	-
	<u>44,216,666</u>	<u>-</u>	<u>-</u>	<u>44,216,666</u>	<u>-</u>

(ii) Share Option Scheme

Save for the Pre-IPO Share Options, no other options have been granted under the previous share option scheme of the Company adopted on 14th March 2001 which has been terminated on 29th November 2001 or the New Share Option Scheme adopted on 29th November 2001.

A summary of the major terms of the New Share Option Scheme are set out at pages 76 – 85 of the Circular of the Company dated 12th November 2001.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of business of the Company were entered into or existed during the Reporting Quarter.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practices and Procedures as set out in rules 5.28 to 5.39 of the Listing Rules, since listed on GEM.

AUDIT COMMITTEE

The Company's audit committee was formed on 14th March 2001 comprising the independent non-executive Directors of the Company, Attorney Lorna Patajo-Kapunan and Mr. 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.

SPONSOR INTEREST IN THE COMPANY

First Shanghai Capital Limited and the Company have entered into a sponsor's agreement, pursuant to which, First Shanghai Capital Limited will receive a fee for acting 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 agreed between the parties thereto.

Pursuant to a non-binding memorandum of understanding dated 4th July 2000 ("Memorandum") entered into between the Company and First eFinance Limited ("First eFinance"), a fellow subsidiary of First Shanghai Capital Limited, First eFinance has agreed to subscribe to the online financial trading services of the Company.

Also, pursuant to a software license agreement and a maintenance service agreement both dated 23rd November 2001 (collectively "Agreements") respectively entered into between the Group and First eFinance, the Group has agreed to grant to First eFinance a non-exclusive license to use its software for supporting securities trading and to provide First eFinance with the maintenance services of the software.

During the Reporting Quarter, the Group has charged First eFinance the respective sums of HK\$174,094 and HK\$100,000 being the charges for the relevant services performed under the Memorandum and part payment of the license fee under the Agreements (three month period ended 31st December 2000: HK\$9,106 and HK\$Nil respectively).

As at 31st December 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.

By Order of the Board
Yuen Tien Yau, Gordon
Executive Director

Hong Kong, 6th February 2002