



MRC HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

**THIRD QUARTERLY REPORT
FOR THE NINE MONTHS ENDED
31ST MARCH, 2002**

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 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.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

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\$5 million for the nine months ended 31st March, 2002.
- Recorded an unaudited combined loss of approximately HK\$4.5 million for the nine months ended 31st March, 2002.

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 and nine months ended 31st March, 2002 together with comparative unaudited figures for the corresponding periods in 2001.

Results

	Note	Three months ended 31st March,		Nine months ended 31st March,	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	2	2,279	3,335	5,100	7,088
Cost of sales		(867)	(203)	(1,736)	(586)
Gross profit		1,412	3,132	3,364	6,502
Other revenue		29	10	230	22
Distribution costs		(960)	(222)	(1,781)	(354)
Administrative expenses		(2,133)	(867)	(6,001)	(1,732)
Other operating expenses		(286)	(639)	(924)	(1,339)
Operating (Loss)/profit		(1,938)	1,414	(5,112)	3,099
Finance costs		0	(1)	(4)	(2)
(Loss) / Profit before taxation		(1,938)	1,413	(5,116)	3,097
Taxation	3	0	(363)	0	(380)
(Loss) / Profit after taxation		(1,938)	1,050	(5,116)	2,717
Minority interest		286	0	629	0
Net (loss) / profit attributable to shareholders		(1,652)	1,050	(4,487)	2,717
Dividend		0	0	1,013	0
(Loss) / Earnings per share - basic	4	(0.44) cents	0.28 cents	(1,13) cents	0.75 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 human resource management software and resale of hardware products, the provision of maintenance services and related consultancy services in Hong Kong and the Peoples' Republic of China (the "PRC"). Revenue recognized during the period is as follows: -

	Three months ended		Nine months ended	
	31st March,		31st March,	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activities				
Software project income	866	2,424	2,570	5,742
Render of maintenance services	630	911	1,747	1,346
Training and HR events	758	0	758	0
Resale of hardware	25	0	25	0
	<u>2,279</u>	<u>3,335</u>	<u>5,100</u>	<u>7,088</u>
By principal markets				
Hong Kong	1,998	3,208	4,600	6,961
PRC	30	127	249	127
Macau	247	0	247	0
Taiwan	4	0	4	0
	<u>2,279</u>	<u>3,335</u>	<u>5,100</u>	<u>7,088</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 and nine months ended 31st March, 2002 is based on the Group's unaudited consolidated loss attributable to shareholders of approximately HK\$1,652,000 and HK\$4,487,000 respectively and the weighted average of 374,350,000 and 395,050,000 shares respectively deemed to be issued during the period.

The calculation of the Group's basic earning per share for the three months and nine months ended 31st March, 2001 is based on the Group's unaudited consolidated profit attributable to shareholders of approximately HK\$1,050,000 and HK\$2,717,000 respectively and the weighted average number of approximately 364,000,000 shares in issue.

The exercise of the share options granted by the Company in 2002 would have an anti-dilutive effect on the loss per share for the three months and nine months ended 31st March, 2002.

No diluted earnings per share has been presented for the corresponding periods in 2001 as there were no dilutive potential ordinary shares.

5. Reserves

There has been no transfer to or from reserves during the nine months ended 31st March, 2002 and 31st March, 2001.

INTERIM DIVIDEND

On 6th February, 2002, the Directors declared an interim dividend for the six months ended 31st December, 2001 of HK0.25 cents for each share to its shareholders. Save for the above, the Directors do not recommend dividend payment for the nine months ended 31st March, 2002 (Nine months ended 31st March, 2001: 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

For the nine months ended 31st March, 2002, turnover decreased by approximately 28% to approximately HK\$5 million as compared with the corresponding period of last year. Moreover, the Group recorded a net loss of HK\$4.5 million this nine months 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\$6 million.

Business Development

Sales and Marketing

Our Group has just completed the re-engineering of the sales and marketing department after recruiting new staff to join the department. Our Group has employed more than 15 sales and marketing staff in Hong Kong as well as in the PRC. The Group will appoint a listed company in Hong Kong as our sole distributor in Macau.

Geographic Expansion

In the PRC, our Group has just completed training to our newly recruited staff. Full force sales activities have been commenced after the Chinese New year and the Group expects that the PRC market will gradually contribute more revenue in near future.

Regarding to the Singapore, Malaysia and Japan markets, the Group will temporarily suspend the expansion plan in these areas due to the downtrend of the economic condition.

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 system testing is expected to be started in around April 2002 and will be completed by June 2002.

OUTLOOK

The Group believes that the remaining months of the fiscal year will be difficult as the prolonged down sloping economy has continued setting out a negative effect on the IT industry. In this situation, we have expanded the business model into organizing human resources exposition as well as human resources training. In January 2002, the Group had successfully launched the 1st China Career Expo in Hong Kong which attracted more than ten thousand visitors. Our directors believe that to provide a wider spectrum of human resources services is vital for the success of our Group in future.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 31st March, 2002, 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 of issued share capital
	Personal interests	Corporate interests	Total	
High Peak Development Limited ("High Peak") <i>(note 1)</i>	Nil	200,400,000	200,400,000	49.43%
Mr. Ho Kwok Kin ("Mr. Ho") <i>(note 1)</i>	Nil	200,400,000	200,400,000	49.43%
FlexSystem Limited <i>(note 2)</i>	Nil	119,600,000	119,600,000	29.50%
FlexSystem Holdings Limited <i>(note 2)</i>	Nil	119,600,000	119,600,000	29.50%

1. High Peak was incorporated in the British 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 31st March, 2002, 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.

Save as disclosed below, 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

As at 31st March, 2002, options to subscribe for an aggregate of 20,958,000 shares of the Company pursuant to the share option scheme adopted on 21st May, 2001 were outstanding. Details of which are as follows:-

No. of share options	Name of grantees	Subscription price per share	Date of grant
3,996,000	Mr. Ho*	0.16	22-Mar-02
3,996,000	Mr. Lau*	0.16	22-Mar-02
996,000	Mr. Peter David Hilling*	0.16	22-Mar-02
498,000	1 other employee of the Group	0.16	11-Mar-02
2,496,000	2 other employees of the Group	0.16	12-Mar-02
996,000	1 other employee of the Group	0.16	13-Mar-02
498,000	1 other employee of the Group	0.16	14-Mar-02
996,000	1 other employee of the Group	0.16	15-Mar-02
1,500,000	1 other employee of the Group	0.16	19-Mar-02
3,492,000	4 other employees of the Group	0.16	22-Mar-02
498,000	1 other employee of the Group	0.16	23-Mar-02
996,000	1 other employee of the Group	0.16	25-Mar-02
<u>20,958,000</u>			

* *director of the Company*

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 nine months ended 31st March, 2002.

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 31st March, 2002, 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, 10th May, 2002