iAsia Technology Limited

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

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INTERIM REPORT 2002

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 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 companies.

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 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.

HIGHLIGHTS

- Turnover for the six month period ended 31st March 2002 amounted to approximately HK$4.6 million, representing a 9-fold increase over the corresponding period in 2001.

- Selling of trading and back office systems and provision of after-sales maintenance services continued to represent a significant component of revenue and recorded growth of 23% over the previous quarter.

- In view of the ongoing difficult market condition, the Group reviewed the viability of all business units and carried out a restructuring program aiming at achieving greater synergies and higher operational efficiency.

- Provision for impairment loss on fixed assets of approximately HK$11.5 million was made as at 31st March 2002.

- Provision for impairment loss on goodwill arising from acquisition of CFN companies amounting to approximately HK$46.4 million was made as at 31st March 2002.

- The Board does not recommend the payment of an interim dividend for the six month period ended 31st March 2002.

On behalf of the board of directors (the "Directors") of iAsia Technology Limited (the "Company"), I hereby present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three month period and six month period ended 31st March 2002, together with the unaudited comparative figures for the corresponding periods in 2001.

The interim report for the six month period ended 31st March 2002 has been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE THREE MONTH AND SIX MONTH PERIOD ENDED 31ST MARCH 2002

	Note	**(Unaudited) Three month period ended 31st March**		**(Unaudited) Six month period ended 31st March**	
		2002	2001	**2002**	2001
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*(2)*	**2,288**	396	**4,574**	508
Other revenues	*(2)*	**233**	87	**477**	213
Changes in work-in-progress		**(24)**	49	**(244)**	261
Work performed by the Group and capitalized under fixed assets		**–**	987	**–**	1,979
Staff costs		**(5,778)**	(5,311)	**(10,800)**	(10,372)
Other operating expenses		**(3,576)**	(1,805)	**(5,614)**	(3,353)
EBITDA *		**(6,857)**	(5,597)	**(11,607)**	(10,764)
Depreciation		**(3,524)**	(1,104)	**(5,884)**	(2,051)
Amortisation of goodwill	*(4)*	**(1,642)**	–	**(2,227)**	–
Impairment loss on fixed assets	*(5)*	**(11,534)**	–	**(11,534)**	–
Impairment loss on goodwill	*(6)*	**(46,395)**	–	**(46,395)**	–
Finance costs		**–**	(71)	**(1)**	(84)
Loss from operations		**(69,952)**	(6,772)	**(77,648)**	(12,899)
Share of losses of associated companies **		**–**	–	**(568)**	–
Loss attributable to shareholders		**(69,952)**	(6,772)	**(78,216)**	(12,899)
Loss per share - basic	*(7)*	**(0.12)**	(0.02)	**(0.15)**	(0.04)

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

** *Associated companies are CFN Hongkong Limited and CFN (UK) Limited and their subsidiaries, which, upon completion of acquisitions of further 65% interest in CFN Hongkong Limited together with their subsidiaries and further 64.75% effective interest in CFN (UK) Limited together with their subsidiaries on 5th December 2001, became the wholly owned subsidiaries of iAsia Technology Limited.*

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH 2002

	Note	(Unaudited) 31st March 2002 HK$'000	(Audited) 30th September 2001 HK$'000
Fixed assets	(8)	**16,537**	15,729
Current assets			
Work-in-progress		**10**	253
Accounts receivable, prepayments, deposits and other receivables	(9)	**6,188**	6,829
Bank balances and cash		**40,350**	37,926
		46,548	45,008
Current liabilities			
Accounts payable, accruals and other payables	(10)	**9,279**	6,190
		9,279	6,190
Net current assets		**37,269**	38,818
Total assets less current liabilities		**53,806**	54,547
Financed by:			
Share capital	(11)	**56,708**	45,000
Reserves	(12)	**(2,902)**	9,547
Shareholders' funds		**53,806**	54,547

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTH PERIOD ENDED 31ST MARCH 2002

	(Unaudited) Six month period ended 31st March 2002 HK$'000
Net cash outflow from operating activities	**(13,710)**
Net cash inflow from investing activities	**16,068**
Increase in cash and cash equivalents	**2,358**
Cash and cash equivalents at beginning of period	**37,926**
Effect of foreign exchange rate changes	**66**
Cash and cash equivalents at end of period	**40,350**

CONDENSED CONSOLIDATED STATEMENT OF RECOGNIZED GAINS AND LOSSES

FOR THE SIX MONTH PERIOD ENDED 31ST MARCH 2002

		(Unaudited) Six month period ended 31st March	
	Note	**2002**	2001
		HK$'000	*HK$'000*
Exchange difference arising on translation of foreign subsidiary company	*12*	**(29)**	–
Net losses not recognized in the profit and loss account		**(29)**	–
Loss for the period		**(78,216)**	(12,899)
Total recognized gains and losses		**(78,245)**	(12,899)

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. Basis of presentation

These condensed interim accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" (the Standard) issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Chapter 18 of The Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the Rules). In this first year of implementation of the Standard, as permitted by the Rules, no comparative figures for the corresponding period in 2001 have been presented for the condensed consolidated cash flow statement.

The principal accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 30th September 2001. In addition, the Group's acquisitions of CFN Companies in December 2001 have been accounted for using the acquisition accounting basis.

The condensed interim accounts are unaudited but have been reviewed by the Audit Committee.

2. Turnover and revenues

(a) 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 revenues recognised during the three month period and six month period ended 31st March 2002, together with their corresponding periods in 2001 are as follow:

	Three month period ended 31st March		**Six month period ended 31st March**	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover				
System customisation and network support fees	**250**	70	**682**	70
Sales of trading and back office systems	**1,295**	210	**2,300**	225
Maintenance fees	**305**	52	**599**	53
Hook up fees	**80**	30	**365**	85
Data management fees and hosting fees	**7**	2	**25**	7
Messaging fees	**66**	32	**151**	48
Content management and subscription fees	**285**	–	**452**	20
	2,288	396	**4,574**	508
Other revenues				
Interest income	**204**	87	**353**	213
Other	**29**	–	**124**	–
	233	87	**477**	213
Total revenues	**2,521**	483	**5,051**	721

(b) An analysis of the Group's turnover and contribution to operating loss for the six month period ended 31st March 2002 together with the unaudited comparative figures for the corresponding period in 2001 by business segment is as follows:

	Turnover		**Contribution to operating loss**	
	Six month period ended 31st March		**Six month period ended 31st March**	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Business segment				
Sales and maintenance	**2,899**	278	**(1,355)**	(57)
System consultancy	**682**	70	**152**	(404)
ASP	**541**	140	**(1,862)**	(2,731)
Content	**452**	20	**(1,553)**	(6)
	4,574	508	**(4,618)**	(3,198)
Other revenues			**477**	213
			(4,141)	(2,985)
Unallocated costs				
Staff costs			**(8,012)**	(7,100)
Other operating costs			**(4,060)**	(2,388)
Finance costs			**(1)**	(84)
Depreciation			**(1,278)**	(342)
Amortisation of goodwill			**(2,227)**	–
Impairment loss on fixed assets			**(11,534)**	–
Impairment loss on goodwill			**(46,395)**	–
			(73,507)	(9,914)
Operating loss			**(77,648)**	(12,899)

No geographical analysis is provided as no operating loss of the Group are attributable to markets outside Hong Kong for the six month period ended 31st March 2002 and the corresponding period in 2001.

3. Taxation

No provision for Hong Kong profits tax has been made as the Group has no assessable profits during the three month period and six month period ended 31st March 2002 (2001: Nil).

4. Goodwill

	HK$'000
Acquisition of subsidiaries	48,622
Amortization during three month period ended 31st December 2001	(585)
Net book value at 31st December 2001	48,037
Amortisation during three month period ended 31st March 2002	(1,642)
Impairment loss *(note 6)*	(46,395)
Net book value at 31st March 2002	–

Goodwill 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 and is recognized as an asset and amortized straight-line over its estimated useful live.

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

5. Impairment loss on fixed assets

As at 31st March 2002, the Group performed an assessment of the carrying value of certain computer software. In light of the rapid change of technology, the Group considered that there was an impairment taking into consideration their recoverable amounts which were based on their value in use. As a result, an impairment loss of approximately HK$11.5 million was recorded at 31st March 2002 (2001: Nil).

6. Impairment loss on goodwill

As at 31st March 2002, the Group performed an assessment of the carrying value of goodwill arising from the acquisition of CFN companies. In light of the economic downturn, the Group has adopted a cautious approach for expansion to the financial industry. Based on the current assessment, it is uncertain as to the ultimate recoverability of the goodwill. As a result, the Directors consider that it will be prudent to write off the entire unamortised balance of goodwill of HK$46.4 million to profit and loss account.

7. Loss per share

The calculation of basic loss per share for the three month period ended 31st March 2002 is based on the loss attributable to shareholders of approximately HK$69,952,000 (2001: loss of approximately HK$6,772,000) and the weighted average number of 567,078,572 shares (2001: 292,131,150 shares) in issue during the period.

The calculation of basic loss per share for the six month period ended 31st March 2002 is based on the loss attributable to shareholders of approximately HK$78,216,000 (2001: loss of approximately HK$12,899,000) and the weighted average number of 531,130,102 shares (2001: 290,121,433 shares) in issue during the period.

Diluted loss per share has not been presented for the three month period and six month period ended 31st March 2002 and their corresponding periods in 2001 as the conversion of potential ordinary shares to ordinary shares would have an anti-dilutive effect to the basic loss per share.

8. Fixed assets

	Six month period ended 31st March 2002 *HK$'000*	Year ended 30th September 2001 *HK$'000*
Net book value, beginning of period/year	**15,729**	9,003
Acquisition from subsidiaries	**12,714**	–
Additions	**6,141**	11,811
Disposals	**(633)**	(46)
Exchange difference	**4**	–
Depreciation	**(5,884)**	(5,039)
Impairment loss *(note 5)*	**(11,534)**	–
Net book value, end of period/year	**16,537**	15,729

9. Accounts receivable, prepayments, deposits and other receivables

Included in accounts receivable, prepayments, deposits and other receivables are trade debtors of HK$2,154,000 (as at 30th September 2001: HK$1,344,000) and their ageing analysis is as follows:

	Within 30 days *HK$'000*	**31-90 days** *HK$'000*	**Over 90 days and within 1 year** *HK$'000*	**Total** *HK$'000*
Balance at 31st March 2002	**1,233**	**492**	**429**	**2,154**
Balance at 30th September 2001	850	494	–	1,344

Trade receivables are due immediately from date of billing but the Group will generally grant a normal credit period of 30 days on average to its customers.

10. Accounts payable, accruals and other payables

Included in accounts payable, accruals and other payables are trade creditors of HK$4,959,000 (as at 30th September 2001: HK$95,000) and their ageing analysis is as follows:

	Within 30 days	**31-90 days**	**Over 90 days**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 31st March 2002	**4,359**	**300**	**300**	**4,959**
Balance at 30th September 2001	95	–	–	95

11. Share Capital

	Six month period ended 31st March 2002		Year ended 30th September 2001	
	No. of shares	***HK$'000***	No. of shares	*HK$'000*
Issued and fully paid				
Beginning of period/year	**450,000,000**	**45,000**	28,400,300	28,400
Issue of shares *(Note)*	**117,078,572**	**11,708**	812,815	813
Sub-division of shares into HK$0.10 each	**–**	**–**	262,918,035	–
Issue of shares by capitalisation of the share premium account	**–**	**–**	67,868,850	6,787
Placing and public offer	**–**	**–**	90,000,000	9,000
End of period/year	**567,078,572**	**56,708**	450,000,000	45,000

Note: These refer to the issue of shares on 9th November 2001 and 5th December 2001 for acquisitions of subsidiaries as disclosed in Note 21 to the Accounts "Subsequent events" on page 69 of 2001 Annual Report issued on 18th December 2001.

12. Reserves

	Six month period ended 31st March 2002				Year ended 30th September 2001
	Share premium	**Accumulated losses**	**Exchange reserve**	**Total**	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of period/year	48,489	(38,942)	–	9,547	(4,562)
Loss attributable to shareholders	–	(78,216)	–	(78,216)	(28,380)
Premium from issue of shares	70,247	–	–	70,247	49,276
Shares issue expenses	(4,451)	–	–	(4,451)	–
Translation of foreign subsidiary company	–	–	(29)	(29)	–
Capitalisation issue	–	–	–	–	(6,787)
At end of period/year	114,285	(117,158)	(29)	(2,902)	9,547

13. Capital commitments

As at 31st March 2002, the Group had commitments contracted but not provided for in respect of purchase of fixed assets of HK$750,000 (as at 30th September 2001: HK$5 million).

14. Financial commitments

Pursuant to the pre-incorporation agreement entered into between the Company and Computershare Systems Phils., Inc. on 27th September 2000, the Group and the Company had financial commitment in respect of capital contribution into a jointly controlled entity to be incorporated in the Republic of the Philippines of PHP15 million (as at 30th September 2001: PHP15 million) (approximately equivalent to HK$2.3 million).

15. Contingent liabilities

The Company is currently in dispute with a Singaporean company, 3rd Frontier Solutions Pte Ltd. (formerly Ebiz Solutions Pte Ltd.) ("3F") concerning an agreement dated 21st July 2000 (as supplemented by an addendum dated 31st March 2001) to develop and supply software to the Company (mentioned on pages 57 and 58 of the Prospectus). The Company terminated the agreement because of what it considered were fundamental breaches on the part of 3F and has commenced legal proceedings in Hong Kong to recover US$325,000 paid to 3F as a deposit. In turn, 3F has commenced arbitration proceedings in Singapore claiming the outstanding balance of the contract price of US$3,175,000. The Company intends to pursue its claim and will vigorously defend the Singaporean arbitration proceedings.

Save for the aforesaid action and other litigation matters as disclosed in Note 20 to the Accounts "Contingent liabilities" on page 68 of 2001 Annual Report issued on 18th December 2001, which have no new development to date of these condensed interim accounts, there is no other litigation or claim of material importance known to the Directors.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six month and three month period ended 31st March 2002 (2001: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The six months ended 31st March 2002 were a challenging time for iAsia. Following the completion of acquisitions of CFN Companies ("CFN") in December 2001, the Group has undertaken thorough business reviews to evaluate the position of each individual business unit with a view to effect those strategic and structural changes that will best assist the overall consolidation of the new Group.

The Group has carried out a restructuring programme to consolidate the technology related assets of CFN under the IT arm of iAsia group for maximizing operational efficiency and achieving the most synergies. CFN will focus on its financial networking activities in the area of placement, underwriting, IPO of equities and other securities in Hong Kong and European markets where it has established presence.

On the product side, the Group continues to strengthen its range of financial related products through self-development and acquisitions.

On 28th March 2002, the Group entered into a supplemental deed ("Supplemental Deed") with China Rise Consultants Limited ("China Rise") to (i) amend the terms of the final payment of HK$5,000,000 under the deed of software assignment dated 1st May 2001 and (ii) acquire from China Rise all the proprietary and intellectual property rights of a back-office accounting software for a consideration of HK$900,000. Under the Supplemental Deed, the total sum of HK$5,900,000 will be settled by cash of HK$885,000 through 3 instalments, the first of which of HK$285,000 was paid upon signing of the Supplemental Deed while the second and the last instalments of HK$300,000 each will be payable respectively by the end of June 2002 and October 2002. The remaining balance of approximately HK$5,015,000 will be settled by way of issue of 7,164,286 new shares of the Company at an issue price of HK$0.70 per share ("New Shares"). The New Shares to be issued shall represent approximately 1.25 per cent. of the enlarged issued share capital of the Company and shall give rise to an increase of approximately HK$4,285,000 (net of share issue expenses) in the share premium of the Company. The China Rise transaction not only helps to broaden the product range of the Group but also help to preserve the cash resources of the Group with the enlarged issued share capital.

In April 2002, the Group has launched its futures and option ASP services to brokers.

Leveraging on its full range of product and a broadened customer base through the acquisitions of CFN and the said software from China Rise, it is believed that the Group will be able to enjoy a stable growth in revenue once the economy recovers.

Financial Review

The ongoing difficult market condition and consolidation of the industry have slowed down the capital spending in the broker community. Apart from expanding on its product range to add value to its services, the Group has introduced flexible pricing policy, such as instalment plan, to boost sales. As a result, revenue from the selling of trading and back office systems and provision of after-sales maintenance services has recorded a 23% increase over the previous quarter. Turnover for the six month period ended 31st March 2002, amounted to approximately HK$4.6 million representing a 9-fold increase over the corresponding period in 2001.

Despite the increase in revenue, the Group generated an operating loss (before the impairment loss of assets) of approximately HK$19.7 million for the six month period ended 31st March 2002, compared with operating loss of approximately HK$12.9 million for the corresponding period in 2001, representing an increase of approximately HK$6.8 million. There are several reasons underlying this performance. Firstly, while the CFN Companies are still in an early stage of business development, significant operating loss incurred. Approximately HK$5.7 million post-acquisition loss was included in the consolidated operating loss of the Group for the period. Secondly, compliance costs such as legal and professional fees, printing costs and annual listing fees increase by approximately HK$0.6 million, largely as a result of the Group obtaining its listing status in April 2001. Thirdly, depreciation expense increases by over HK$2 million (excluding effect of consolidating CFN) as a result of the increase in the product range following completion of the development phase or acquisitions of the products over the period. Fourthly, the Group began to amortise goodwill arisen from the acquisitions of CFN Companies from December 2001.

The increase in operating loss as a result of the factors mentioned above was partly offset by the effect of aggressive cost-reduction measures being put in place in the area of headcount, entertainment and overseas traveling. Since the acquisition of CFN Companies, the total headcount was reduced from 70 (combined headcount of the CFN Companies and iAsia prior to the Acquisitions) as of September 2001 to 45 as of 31st March 2002, compared with a total of 50 headcount (excluding CFN) a year ago. While significant leave compensation was paid out due to the staff cuts, the full benefits from these cutbacks are yet to show up in the future period's profit and loss account.

At 31st March 2002, the Group made the following provisions:

1. Impairment loss on computer software, amounted to approximately HK$11.5 million;

2. Impairment loss on goodwill related to CFN Companies, amounted to approximately HK$46.4 million;

The above provisions were made on a prudent basis and management believes that these provisions were one-off and non-recurring.

If the provisions for impairment of goodwill and fixed assets were stripped out, the loss per share attributable to shareholders for the three month and six month period would be reduced to HK$0.02 (2001: HK$0.02) and HK$0.04 (2001: HK$0.04), respectively.

Liquidity and Financial Resources

As of 31st March 2002, the Group has cash balance of approximately HK$40.4 million without any bank borrowings.

FUTURE PROSPECTS

The outlook for iAsia remains positive. With the structural changes close to completion, we have established a lean organization and are confident that we are on our path to profitability.

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.

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. The Group has identified business opportunities targeting at securities markets in the PRC market and is in negotiation with certain business partners for finalizing a joint venture/cooperation agreement.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives as stated in the Prospectus for the six month period ended 31st March 2002	Actual business progress
1. Market Penetration	
Explore other markets for opportunities for market entry, alliance, joint venture or acquisition, for example, Europe and North America.	Have successfully acquired CFN companies which have established presence in the European market.
Continue to review and implement marketing plan for new markets and new services.	Introduced flexible pricing policy, such as instalment plan to boost sales.
2. Strategic Alliance	
Continue negotiations for strategic alliances for the Phase IV markets, namely South Korea, Malaysia, Japan, India and Indonesia.	Due to the sluggish global economy, management adopted a more cautious for expansion to the overseas markets and there will be temporary delay and/or some deviations from our business plan stated in the Prospectus.
Continue evaluation and strengthening of existing strategic relationship.	Currently negotiating with a number of potential business partners to finalise a joint venture/cooperation agreement for expansion to the PRC market.
Seek synergistic acquisition and merger opportunities to further extend services/markets	The Group continues to be open to good business opportunities which are of low investment risks.
3. ASP Services	
Extend ASP service to other financial markets such as OTC, second board.	The slowdown of economy has great impact in the Group's original ASP business. Anticipating the decline in transaction volume, the Group has changed its business model from ASP to focus on sales, which is expected to boost the revenue stream.

	Extend ASP service to other financial products such as bonds, mutual funds, derivatives and forex.	Successfully launched futures and options ASP and sales business in April 2002 and will continue to evaluate market needs and launch services for other financial products as well.
	Continue to enhance other service bureau functionalities.	The Group has enhanced the service bureau functionalities by providing additional services such as network consulting and setup services to existing and new customers. Its current plan is to provide services in other application areas such ERP, CRM etc.
4.	**Access Devices**	
	Continue development of other access channels to enhance service offering.	The Group has temporarily delayed the development of new access channels due to the unexpected slow growth in WAP trading services.
5.	**Content Development**	
	Develop contents in other local languages, for example – Simplified Chinese – Thai – Malaysian – Korean	In order to streamline the product range the Group has strengthen the partnership with other financial content provider for providing financial content to customers. Simplified Chinese version has been developed and launched to several customers. Other languages will be developed in due course upon review of market needs.
6.	**Research and Development**	
	Continue research and development for new projects.	Continue dedicating resources in research and development on new products which could extend the customer base and strengthen the revenue sources of the Group. The Group has launched its Futures and Options Front Office system in April 2002.
	Enhance knowledge management system.	The Group has implemented processes to improve the quality of management information and sharing of information amongst staff.

USE OF PROCEEDS

The net proceeds raised from the public listing on 9th April 2001 were approximately HK$51 million. The proceeds have been applied to achieving the business objectives as set out in the Prospectus and detailed below:

Up to 31st March 2002

	Actual
	HK$ million
Enhance infrastructure development	5.8
Research and development to expand capacity to deliver services	5.7
Explore synergistic acquisition and investment opportunities	4.5
General working capital	11.2
Total	**27.2**

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 six month period ended 31st March 2002 or at any time during such six month period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND OPTIONS

(i) Shares

As at 31st March 2002, 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:

		Number of shares held			
Name of Directors	*Note*	**Personal**	**Family**	**Corporate**	**Other**
Dr. Ho Hung Sun, Stanley	*(1)*	–	–	73,846,513	–
Dr. Lee Jun Sing	*(2)*	–	–	62,997,029	–
Ko Chun Fung, Henry	*(3)*	–	–	59,433,722	–
Yuen Tien Yau, Gordon	*(3)*	–	–	59,433,722	–
Cheng Kar Shing, Peter	*(4)*	–	–	52,809,819	–
Fung Hoo Wing, Thomas	*(5)*	–	–	52,809,819	–
Ho Yau Lung, Lawrence	*(6)*	–	–	42,326,273	–

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 33⅓% 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.

(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 March 2002	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
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

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 March 2002 are as follow:

Name	**Number of Shares**	**Percentage of issued share capital as at 31st March 2002**
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 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 31st December 2001 No. of Shares subject to options granted	Exercised	Lapsed	As at 31st March 2002 No. of Shares subject to options granted	No. of new Shares arising therefrom
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 *(Note)*	2,100,000	–	(2,100,000)	–	–
Other senior management employees	15,070,834	–	–	15,070,834	–
	44,216,666	–	(2,100,000)	42,116,666	–

Note: Mr. Fung Wing Cheung, Tony resigned from the office of director of the Company on 29th January 2002 and according to the terms of the Pre-IPO Share Option Plan, unless otherwise exercised by him on or before 30th April 2002, all his options entitlement will be lapsed. As at the date of this report, the Company has not received any notice of exercise of options by Mr. Fung.

(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 to 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 six month period ended 31st March 2002.

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 Company and First eFinance, the Company 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 six month period ended 31st March 2002, the Company has charged First eFinance the respective sums of approximately HK$278,000 and HK$250,000 being the charges for the relevant services performed under the Memorandum and part payment of the license fee under the Agreements (six month period ended 31st March 2001: HK$16,430 and HK$ Nil respectively).

As at 31st March 2002, 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
Ko Chun Fung, Henry
Executive Director

Hong Kong, 13th May 2002