

# *iAsia Technology Limited*

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



Third Quarterly Report 2002

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

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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 (the "Board") of directors (the "Directors") of iAsia Technology Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three month and nine month period ended 30th June 2002, together with the unaudited comparative figures for the corresponding periods in 2001 as follow:

### HIGHLIGHTS

- Turnover for the three month and nine month period ended 30th June 2002 amounted to approximately HK\$3.8 million and HK\$8.4 million respectively, representing approximately three-fold and five-fold increase over the corresponding periods in 2001 respectively.
- Sales of front office trading and back office systems and provision of after-sales maintenance services contributed approximately 68% and 65% of the total turnover for the three month and nine month period ended 30th June 2002 respectively and recorded growth of approximately 261% and 451% over the corresponding periods in 2001 respectively.
- Loss from operations for the nine month period ended 30th June 2002 amounted to approximately HK\$83.9 million, an increase of approximately HK\$65.0 million over the corresponding period in 2001, which was mainly due to the provisions made for the impairment loss on fixed assets of approximately HK\$11.5 million and the impairment loss on goodwill arising from acquisition of CFN companies of approximately HK\$46.4 million in the last quarter.
- The financial position of the Group remained healthy and as at 30th June 2002, the Group had cash of approximately HK\$35.3 million without any bank borrowings.
- The Board does not recommend the payment of interim dividend for the nine month period ended 30th June 2002.



## BUSINESS REVIEW

The Group's business development proceeds along three main directions: expanding the revenue base of existing businesses profitably; adding related new products and services; and exploring new business opportunities.

The sales of front office trading and back office settlement and accounting systems performed well and show steady growth in the nine month period ended 30th June 2002 as compared to the corresponding period in 2001. Revenue from the sales of such systems and provision of their after-sales maintenance services remained the backbone of the Group's revenue. In line with the Group's objective of broadening income source by continuously strengthening its products range, the Group has in April 2002 launched its futures and option trading systems and services to the market. Meanwhile, the Group has commenced the development of an insurance broker system that targets to support the broking business of the insurance companies in Hong Kong.

During the three month period ended 30th June 2002, despite business environments remained sluggish in Hong Kong, the Group succeeded in expanding its client and revenue bases with our high standard of services and the enlarged products range. Most of the revenue derived from such sales and services will be reflected in the coming quarters.

In order to pave the way for expansion of the Group's business in the PRC, the Group had, in April 2002, invested HK\$2 million by subscribing 11% of the total issued share capital of a company, Top Growth Assets Limited ("Top Growth"), Top Growth together with an unconnected third party investor established a group of companies that specialize in the provision of consultancy services, in particular business and strategic planning, to clients including high technology companies and companies providing trading systems related services, in the Greater China Region. Apart from the Company, all other shareholders of Top Growth are professional institutional investors. The investment was made from the internal resources of the Group and had marked an important milestone of the Group in penetrating in the Mainland China market, including promoting our online trading and related systems to and exploring other related business opportunities with the financial institutions and other intermediaries in the PRC.

Besides, subsequent to the nine month period ended 30th June 2002, on 15th July 2002, the Company has entered into a conditional placing agreement to place 106,200,000 new shares at HK\$0.10 per share ("Placing"). The Directors consider that the Placing will enlarge the shareholder base and capital base of the Company



and will add strength to the healthy financial position of the Group. The net proceeds from the Placing are estimated to be of approximately HK\$10.4 million and are intended to be used as approximately HK\$3.1 million for settlement of accounts payable and balance of approximately HK\$7.3 million as general working capital for the Group.

## FINANCIAL REVIEW

Turnover for the three month and nine month period ended 30th June 2002 amounted to approximately HK\$3.8 million and HK\$8.4 million respectively, representing approximately three-fold and five-fold increase over the corresponding periods in 2001 respectively.

With the continuous expansion of its products range to add value to the Group's services and the introduction of flexible payment policy, such as instalment payment plan since the previous quarters, the revenue from the sales of trading and back office systems and provision of after-sales maintenance services contributed approximately 68% and 65% of the total turnover respectively for the three month and nine month period ended 30th June 2002 and recorded growth of approximately 261% and 451% over the corresponding periods in 2001 respectively.

Despite the steady growth of revenue in 2002, the Group generated an operating loss of approximately HK\$6.2 million and HK\$83.9 million for the three month and nine month period ended 30th June 2002 respectively, compared with the operating loss of approximately HK\$6.0 million and HK\$18.9 million for the corresponding periods in 2001 respectively, representing an increase of approximately HK\$0.2 million and HK\$65.0 million respectively.

The significant increase of the operating loss for the nine month period ended 30th June 2002 was mainly due to (1) the depreciation expenses increase by approximately HK\$2.6 million (excluding effect of consolidating CFN Companies) as a result of the increase in the products range through completion of the self development activities and acquisitions over the period; (2) the provisions made for the impairment loss on fixed assets, amounted to approximately HK\$11.5 million and the impairment loss on goodwill arising from acquisition of CFN Companies, amounted to approximately HK\$46.4 million in the previous quarter. These provisions were made on a prudent basis and management believes that these provisions were one-off and non-recurring; (3) the amortisation of goodwill arisen from the acquisition of CFN Companies since December 2001 to March 2002 amounted to



approximately HK\$1.4 million; and (4) the consolidation of post-acquisition losses of CFN Companies amounted to approximately HK\$7.8 million.

The loss per share attributable to shareholders for the nine month period ended 30th June 2002 was HK\$0.155. If the provisions for the above impairments of fixed assets and goodwill were stripped out, the loss per share attributable to shareholders for the nine month period ended 30th June 2002 would be reduced to HK\$0.047.

Indeed, the operating loss for the three month period ended 30th June 2002 was narrowed by HK\$4.2 million when compared with that of the previous quarter before the deduction of the amortisation of goodwill and the provisions for the above impairments. The improvement was mainly due to the effectiveness of the Group's aggressive but prudent cost-reduction measures being put in place in the past few quarters apart from the steady growth of the revenue in this quarter as stated above. The staff cost for the three month period ended 30th June 2002 was decreased by approximately HK\$1.4 million as compared to that of the previous quarter. We will continue to be vigilant about the operating costs and efficiencies to strive for the best achievement in the profitability of the Group.

In addition, the financial position of the Group remained healthy and as at 30th June 2002, the Group had cash of approximately HK\$35.3 million without any bank borrowings and the gearing ratio was zero.

## **FUTURE PROSPECTS**

After the implementation of organization restructuring programme, the consolidation of unprofitable businesses and the improvement of operating efficiency in the past nine months, the Group has established a lean organization. The outlook for the Group is promising and management targets to turn the Group to profitability by implementing further cost containment measures and aggressive selling strategy.

Having made the investment in Top Growth mentioned in the section headed "Business Review" above, the Group will put more focus on its expansion plan to the PRC market and look for growth business opportunities, which may help to boost the Group's revenue stream in the future. It is envisaged that greater integration and co-operation with the Mainland China will be one of the main drivers of the Group's growth.

The directors will actively explore new opportunities that can leverage on the Group's current business and sales network, including further acquisitions of business that will enhance the Group's profitability.



**UNAUDITED CONSOLIDATED THIRD QUARTERLY RESULTS**  
**For the Three month and Nine month Period Ended 30th June 2002**

	Notes	(Unaudited)		(Unaudited)	
		Three month period		Nine month period	
		ended 30th June	ended 30th June	ended 30th June	ended 30th June
		2002	2001	2002	2001
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	(2)	<b>3,826</b>	1,241	<b>8,400</b>	1,749
Other revenues	(2)	<b>247</b>	649	<b>724</b>	863
Changes in work-in-progress		<b>(10)</b>	103	<b>(254)</b>	364
Work performed by the Group and capitalized under fixed assets		-	481	-	2,460
Staff costs		<b>(4,354)</b>	(5,214)	<b>(15,154)</b>	(15,586)
Other operating expenses		<b>(3,816)</b>	(2,020)	<b>(9,430)</b>	(5,374)
EBITDA *		<b>(4,107)</b>	(4,760)	<b>(15,714)</b>	(15,524)
Depreciation		<b>(2,113)</b>	(1,211)	<b>(7,997)</b>	(3,262)
Amortisation of goodwill	(4)	-	-	<b>(2,227)</b>	-
Impairment loss on fixed assets	(5)	-	-	<b>(11,534)</b>	-
Impairment loss on goodwill	(6)	-	-	<b>(46,395)</b>	-
Finance costs		-	-	<b>(1)</b>	(84)
Loss from operations		<b>(6,220)</b>	(5,971)	<b>(83,868)</b>	(18,870)
Share of losses of associated companies **		-	-	<b>(568)</b>	-
Loss attributable to shareholders		<b>(6,220)</b>	(5,971)	<b>(84,436)</b>	(18,870)
Loss per share – basic (HK\$)	(7)	<b>(0.011)</b>	(0.014)	<b>(0.155)</b>	(0.049)

\* 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.

## NOTES TO THE ACCOUNTS

### 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 revenues

The Group is principally engaged in the provision of comprehensive online trading and related systems to financial institutions and intermediaries principally in Asia. Turnover and revenues recognised during the three month and nine month period ended 30th June 2002, together with their corresponding periods in 2001 are as follow:

	Three month period ended 30th June		Nine month period ended 30th June	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover				
System customisation and network support fees	1,197	78	1,879	148
Sales of trading and back office systems	2,167	555	4,467	780
Maintenance fees	431	164	1,030	217
Hook up fees	-	250	365	335
Data management fees and hosting fees	8	17	33	24
Messaging fees	18	85	169	133
Content management and subscription fees	5	92	457	112
	<u>3,826</u>	<u>1,241</u>	<u>8,400</u>	<u>1,749</u>
Other revenues				
Interest income	233	610	586	824
Other	14	39	138	39
	<u>247</u>	<u>649</u>	<u>724</u>	<u>863</u>
Total revenues	<u>4,073</u>	<u>1,890</u>	<u>9,124</u>	<u>2,612</u>



### 3. Taxation

No provision for Hong Kong profits tax has been made as the Group has no assessable profits during the three month and nine month period ended 30th June 2002 (2001: Nil).

### 4. Goodwill

	<i>HK\$'000</i>
Acquisition of subsidiaries	48,622
Amortization during the six month period ended 31st March 2002	(2,227)
Impairment loss ( <i>note 6</i> )	(46,395)
	<hr/>
Net book value at 31st March 2002 and at 30th June 2002	–
	<hr/> <hr/>

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 life.

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

During the nine month period ended 30th June 2002, the Group has performed an assessment of the carrying value of certain computer software. In light of the rapid change in 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 during the nine month period ended 30th June 2002 (2001: Nil). The impairment has been reflected in the last quarterly result.

### 6. Impairment loss on goodwill

During the nine month period ended 30th June 2002, the Group has 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 into the financial industry. Based on the 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 approximately HK\$46.4 million to profit and loss account. The impairment has been reflected in the last quarterly result.

## 7. Loss per share

The calculation of the Group's basic loss per share for the three month and nine month period ended 30th June 2002 is based on the Group's unaudited loss attributable to shareholders of approximately HK\$6,220,000 and HK\$84,436,000 (three month and nine month period ended 30th June 2001: loss of approximately HK\$5,971,000 and HK\$18,870,000) and the weighted average number of 568,731,869 and 543,664,025 shares (three month and nine month period ended 30th June 2001: 442,087,912 and 384,725,868 shares) in issue during the respective periods.

Diluted loss per share has not been presented for the three month and nine month period ended 30th June 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. Reserves

	Three month period ended 30th June				2001
	2002				
	Share premium	Accumulated losses	Exchange reserve	Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of period	114,285	(117,158)	(29)	(2,902)	(10,474)
Loss attributable to shareholders	-	(6,220)	-	(6,220)	(5,971)
Premium from issue of shares	4,299	-	-	4,299	54,000
Shares issue expenses	(14)	-	-	(14)	(11,711)
Translation of foreign subsidiary company	-	-	205	205	-
Capitalisation issue	-	-	-	-	(6,787)
	<u>118,570</u>	<u>(123,378)</u>	<u>176</u>	<u>(4,632)</u>	<u>19,057</u>
At end of period	<u>118,570</u>	<u>(123,378)</u>	<u>176</u>	<u>(4,632)</u>	<u>19,057</u>



Nine month period ended 30th June

	2002			2001	
	Share Accumulated	Exchange		Total	Total
	premium	losses	reserve		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of period	48,489	(38,942)	-	9,547	(4,562)
Loss attributable to shareholders	-	(84,436)	-	(84,436)	(18,870)
Premium from issue of shares	74,546	-	-	74,546	60,987
Shares issue expenses	(4,465)	-	-	(4,465)	(11,711)
Translation of foreign subsidiary company	-	-	176	176	-
Capitalisation issue	-	-	-	-	(6,787)
	<u>118,570</u>	<u>(123,378)</u>	<u>176</u>	<u>(4,632)</u>	<u>19,057</u>
At end of period	<u>118,570</u>	<u>(123,378)</u>	<u>176</u>	<u>(4,632)</u>	<u>19,057</u>

### INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the nine month period ended 30th June 2002 (2001: 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 three month and nine month period ended 30th June 2002 or at any time during such periods.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND OPTIONS

### (i) Shares

As at 30th June 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:

Name of Directors	Notes	Number of shares held			Other
		Personal	Family	Corporate	
Dr. Ho Hung Sun, Stanley	(1)	-	-	73,846,513	-
Dr. Lee Jun Sing	(2)	-	-	62,997,029	-
Ko Chun Fung, Henry	(3)	-	-	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 12.86% 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 10.97% 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 10.35% 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 9.20% 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 9.20% 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 7.37% 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.

<b>Name of Directors</b>	<b>Date of grant</b>	<b>Exercise price HK\$</b>	<b>No. of shares subject to options outstanding as at 30th June 2002</b>	<b>Expiry date</b>
Dr. Ho Hung Sun, Stanley	6th April 2001	0.49	2,100,000	8th October 2005
Dr. Lee Jun Sing	6th April 2001	0.49	8,961,458	8th October 2005
Ko Chun Fung, Henry	6th April 2001	0.49	8,961,458	8th October 2005
Yuen Tien Yau, Gordon	6th April 2001	0.49	2,822,916	8th October 2005
Cheng Kar Shing, Peter	6th April 2001	0.49	2,100,000	8th October 2005
Ho Yau Lung, Lawrence	6th April 2001	0.49	2,100,000	8th October 2005

*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:

<b>Commencing from</b>	<b>Percentage of the Pre-IPO Share Options that can be exercised</b>
the business day immediately following the first six months of the commencement of the trading of the Shares on GEM	50%
the business day immediately following the first anniversary of the commencement of the trading of the Shares on GEM	100%

Other than as disclosed above, at no time during the three month and nine month period ended 30th June 2002 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, as at 30th June 2002, 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 30th June 2002 are as follow:

<b>Name</b>	<b>Number of Shares</b>	<b>Percentage of issued share capital as at 30th June 2002</b>
Bailey Development Limited	73,846,513	12.86%
Best Summit International Limited	62,997,029	10.97%
Capital Speed Limited	59,433,722	10.35%

## 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 during the three month period ended 30th June 2002.

Pre-IPO Share Options <i>(Exercise price HK\$0.49)</i>	As at 31st March 2002	Exercised	Lapsed	As at 30th June 2002	No. of new Shares arising therefrom
	No. of Shares subject to options granted			No. of Shares subject to options granted	
<i>Directors</i>					
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	-
Other senior management employees	15,070,834	-	-	15,070,834	-
	<u>42,116,666</u>	<u>-</u>	<u>-</u>	<u>42,116,666</u>	<u>-</u>

## (ii) Share Option Scheme

Save for the Pre-IPO Share Options, as at 30th June 2002, no other options have been granted under the New Share Option Scheme adopted on 29th November 2001.

A summary of the major terms of the New Share Option Scheme is 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 three month and nine month period ended 30th June 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 (i) review the Group's annual reports, financial statements, interim reports and quarterly reports and to provide advice and comments thereon to the Board; and (ii) review and supervise the financial reporting process and internal control procedures of the Group.

The Audit Committee has reviewed this quarterly report of the Group.

## **PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

## **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'S INTERESTS**

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 nine month period ended 30th June 2002, the Company has charged First eFinance approximately HK\$278,000 (2001: HK\$143,000) being the charges for the relevant services performed under the Memorandum and approximately HK\$644,000 (2001: Nil) being the full payment of the license fee and the maintenance fee under the Agreements.

As at 30th June 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  
**iAsia Technology Limited**  
**Ko Chun Fung, Henry**  
*Executive Director*

Hong Kong, 13th August 2002