



**MRC HOLDINGS LIMITED**

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

**FIRST QUARTERLY REPORT  
FOR THE THREE MONTHS ENDED  
30TH SEPTEMBER, 2002**

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*This report, for which the directors of MRC Holdings Limited (the "Company") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## SUMMARY

- Recorded an unaudited combined turnover of approximately HK\$2.1 million for the three months ended 30th September, 2002.
- Recorded an unaudited combined loss of approximately HK\$1.3 million for the three months ended 30th September, 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 ended 30th September, 2002 together with comparative unaudited figures for the corresponding period in 2001.

### Results

|                                   | <i>Note</i> | <b>Three months ended<br/>30th September,</b> |                 |
|-----------------------------------|-------------|---|-----------------|
|                                   |             | <b>2002</b>                                   | <b>2001</b>     |
|                                   |             | <i>HK'000</i>                                 | <i>HK\$'000</i> |
| Turnover                          | 2           | 2,167   | 1,417           |
| Cost of sales                     |             | (621)   | (57)            |
| Gross profit                      |             | 1,546   | 1,360           |
| Other revenue                     |             | 101   | 118             |
| Distribution costs                |             | (475)   | (80)            |
| Administrative expenses           |             | (1,908)                                       | (1,948)         |
| Other operating expenses          |             | (659)   | (116)           |
| Operating profit                  |             | (1,395)                                       | (666)           |
| Finance costs                     |             | (2)   | (1)             |
| Loss before taxation              |             | (1,397)                                       | (667)           |
| Taxation                          | 3           | 0   | 0               |
| Loss after taxation               |             | (1,397)                                       | (667)           |
| Minority interests                |             | 106   | —               |
| Loss attributable to shareholders |             | (1,291)                                       | (667)           |
| Loss per share - basic            | 4           | 0.32 cents                                    | 0.18 cents      |

Notes:

## 1. Basis of presentation

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

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

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

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

## 2. Turnover

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

|                                | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|--------------------------------|------------------|------------------|
| By Principal activities        |                  |                  |
| Software project income        | 1,428            | 781              |
| Render of maintenance services | 654              | 636              |
| Hardware                       | 85               | —                |
|                                | <u>2,167</u>     | <u>1,417</u>     |
| By Principal markets           |                  |                  |
| Hong Kong                      | 1,796            | 1,197            |
| PRC                            | 371              | 220              |
|                                | <u>2,167</u>     | <u>1,417</u>     |

## 3. Taxation

No provision for the Hong Kong profits tax (2001: NIL) have been made as no assessable profits during the period.

## 4. Loss per share

The calculation of the Group's basic loss per share for the three months ended 30th September, 2002 is based on the Group's unaudited consolidated loss attributable to shareholders of approximately HK\$1,291,000 and the weighted average of 405,400,000 shares deemed to be issued during the period.

The calculation of the Group's basic earnings per share for the three months ended 30th September, 2001 is based on the Group's unaudited consolidated loss attributable to shareholders of approximately HK\$667,000 and the weighted average number of 374,350,000 shares in issue.

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

## **5. Reserves**

There has been no transfer to or from reserves during the three months ended 30th September, 2002 and 30th September, 2001.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the three months ended 30th September, 2002 (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**

During the first quarter of the 2003 financial year, turnover increased by approximately 53% to approximately HK\$2.2 million as compared with the corresponding period of last year. Moreover, the Group recorded a net loss of approximately HK\$1.3 million for the first quarter of 2003 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.

### **Business Development**

#### *Sales and Marketing*

By the enhancement of the sales and marketing team last year, more potential customers have been approached although the success rate is not very positive. During the period, the Group has appointed a multi-national IT company as a reseller of our products in Hong Kong and the PRC.

#### *Geographic Expansion*

By the formation of the foreign enterprise in the PRC last year, the sales volume is being gradually increased. The Group deploys more effort in the PRC market in order to increase the future market share.

In Japan, the Group is negotiating with a company in order to form a business alliance to promote our products.

## Research and development

The Group has still deployed resources to develop a new version of its software - Podium and it will be completed soon. New modules such as Leave Administration and Time Attendance will also be developed in the near future.

## SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16 (1) of the SDI Ordinance shows that as at 30th September, 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")<br>(note 1) | Nil                | 200,400,000         | 200,400,000 | 49.43%                             |
| Mr. Ho Kwok Kin ("Mr. Ho")<br>(note 1)                  | Nil                | 200,400,000         | 200,400,000 | 49.43%                             |
| FlexSystem Limited (note 2)                             | Nil                | 119,600,000         | 119,600,000 | 29.50%                             |
| FlexSystem Holdings Limited (note 2)                    | Nil                | 119,600,000         | 119,600,000 | 29.50%                             |

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

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

At 30th September, 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:

|         | Number of shares   |                               |             |
|---------|--------------------|-------------------------------|-------------|
|         | Personal interests | Corporate interests<br>(note) | Total       |
| Mr. Ho  | Nil                | 200,400,000                   | 200,400,000 |
| Mr. Lau | Nil                | 200,400,000                   | 200,400,000 |

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

At no time during the period 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 30th September, 2002, options to subscribe for an aggregate of 35,424,000 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<br>share options | Name of grantees               | Subscription<br>price per<br>share | Date of grant   |
|-------------------------|--------------------------------|------------------------------------|-----------------|
| 3,996,000               | Mr. Ho*                        | 0.16                               | 22nd May, 2002  |
| 3,996,000               | Mr. Lau*                       | 0.16                               | 22nd May, 2002  |
| 996,000                 | Mr. Peter David Hilling*       | 0.16                               | 22nd May, 2002  |
| 498,000                 | 1 other employee of the Group  | 0.16                               | 11th May, 2002  |
| 2,496,000               | 2 other employees of the Group | 0.16                               | 12th May, 2002  |
| 996,000                 | 1 other employee of the Group  | 0.16                               | 13th May, 2002  |
| 498,000                 | 1 other employee of the Group  | 0.16                               | 14th May, 2002  |
| 996,000                 | 1 other employee of the Group  | 0.16                               | 15th May, 2002  |
| 1,500,000               | 1 other employee of the Group  | 0.16                               | 19th May, 2002  |
| 3,492,000               | 4 other employees of the Group | 0.16                               | 22nd May, 2002  |
| 498,000                 | 1 other employee of the Group  | 0.16                               | 23rd May, 2002  |
| 996,000                 | 1 other employee of the Group  | 0.16                               | 25th May, 2002  |
| 2,496,000               | 2 other employees of the Group | 0.16                               | 2nd April, 2002 |
| 2,496,000               | 3 other employees of the Group | 0.16                               | 4th April, 2002 |
| 498,000                 | 1 other employee of the Group  | 0.16                               | 5th April, 2002 |
| 7,482,000               | 7 other employees of the Group | 0.16                               | 6th April, 2002 |
| <hr/> <hr/> 33,930,000  |                                |                                    |                 |

\* *director of the Company*

The financial impact of the share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are lapsed or are cancelled prior to their exercise date are deleted from the register of outstanding options. The Directors do not consider it appropriate to disclose a theoretical value of the share options granted during the year to the Directors and employees of the Group because a number of factors crucial for the valuation cannot be determined. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful, but would be misleading to the shareholders 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 three months ended 30th September, 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 30th September, 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, 8th November, 2002