



AKuP International Holding Limited

艾克國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

**THIRD QUARTERLY REPORT
2002**

** for identification purpose only*

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This report, for which the directors (the “Directors”) of AKuP International Holding Limited (the “Company”) 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 (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) 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

- The Group achieved total revenue of approximately HK\$22.5 million for the nine months ended 30 September 2002, representing an increase of 86.8% over the corresponding period of 2001.
- Profit attributable to shareholders for the same period increased to approximately HK\$8.0 million as compared with loss attributable to shareholders of approximately HK\$10.6 million for the corresponding period of 2001.
- Basic earnings per share for the same period increased to approximately HK cents 1.26 as compared with basic loss per share of approximately HK cents 2.07 for the corresponding period of 2001.
- The Directors of the Company do not recommend the payment of an interim dividend for the nine months ended 30 September 2002.

CONSOLIDATED RESULTS

The board of directors (the "Board") of AKuP International Holding Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the nine months and three months ended 30 September 2002 together with the unaudited comparative figures for the corresponding periods of 2001 as follows:

	Note	Nine months ended 30 September		Three months ended 30 September	
		2002 HK\$'000 (unaudited)	2001 HK\$'000 (unaudited)	2002 HK\$'000 (unaudited)	2001 HK\$'000 (unaudited)
Revenue	3	22,489	12,038	9,459	569
Cost of services and merchandise sold		(494)	(1,044)	(351)	(20)
Gross profit		21,995	10,994	9,108	549
Research and development costs		(2,776)	(3,666)	(1,369)	(1,047)
Selling expenses		(5,548)	(9,874)	(2,459)	(3,514)
General and administrative expenses		(6,311)	(8,478)	(1,973)	(2,492)
Profit/(loss) from operations	3	7,360	(11,024)	3,307	(6,504)
Net finance income/(costs)	4	36	989	573	(13)
Profit/(loss) before taxation	4	7,396	(10,035)	3,880	(6,517)
Taxation	5	569	(578)	—	(1,671)
Profit/(loss) attributable to shareholders		7,965	(10,613)	3,880	(8,188)
Earnings/(loss) per share	6				
Basic		1.26 cents	(2.07) cents	0.62 cents	(1.60) cents
Diluted		1.26 cents	—	0.61 cents	—

1. Group reorganisation

The Company was incorporated in the Cayman Islands on 14 June 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company became the holding company of the Group on 29 October 2001 through a reorganisation (the "Reorganisation").

2. Basis of presentation

The Company and its subsidiaries resulting from the Reorganisation have been regarded as a continuing group. Accordingly the unaudited consolidated results have been prepared on the basis of merger accounting in accordance with the Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for Group Reconstructions" issued by the Hong Kong Society of Accountants (the "HKSA"). On this basis, the Company was the holding company of the Group for all the periods presented, rather than from 29 October 2001. In the circumstances, the results of the Group for the nine months and three months ended 30 September 2001 and 2002 include the results of the Company and its subsidiaries with effect from 1 January 2001 or since their respective dates of incorporation whichever is a shorter period. In the opinion of the Directors, the resulting unaudited consolidated results give a more meaningful view of the results of the Group as a whole.

The unaudited third quarterly report has been reviewed by the Company's audit committee. The third quarterly report has been prepared in accordance with the applicable disclosure requirements of the Listing Rules of the GEM of the Stock Exchange.

The accounting policies and basis of preparation used in the preparation of the third quarterly report are the same as those used in the 2001 annual accounts, except for the following new or revised SSAPs issued by the HKSA which have been adopted for the first time in the preparation of the third quarterly report and are effective for accounting periods beginning on or after 1 January 2002:

SSAP 11 (revised)	"Foreign currency translation"
SSAP 15 (revised)	"Cash flow statements"
SSAP 25 (revised)	"Interim financial reporting"
SSAP 26 (revised)	"Segment reporting"
SSAP 33	"Discontinuing operations"
SSAP 34	"Employee benefits"

The notes on the third quarterly report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2001 annual accounts.

3. Segmental information

The analysis of the principal activities and geographical locations of the Group's operations during the period are as follows:

	Group revenue			
	Nine months ended		Three months ended	
	30 September		30 September	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activities				
Custom-made solutions	755	978	755	—
Sales of software products	20,968	9,667	8,198	492
Sales of hardware products	682	1,393	488	77
Revenue from maintenance services	84	—	18	—
	<u>22,489</u>	<u>12,038</u>	<u>9,459</u>	<u>569</u>
Geographical locations				
Taiwan	2,249	7,090	1,745	492
Hong Kong	300	1,829	300	—
The People's Republic of China (excluding Taiwan and Hong Kong) (the "PRC")	19,940	2,601	7,414	77
Singapore	—	518	—	—
	<u>22,489</u>	<u>12,038</u>	<u>9,459</u>	<u>569</u>
Contribution to profit/(loss) from operations				
	Nine months ended		Three months ended	
	30 September		30 September	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activities				
Custom-made solutions	697	755	697	—
Sales of software products	20,925	9,589	8,155	472
Sales of hardware products	289	650	238	77
Revenue from maintenance services	84	—	18	—
	<u>21,995</u>	<u>10,994</u>	<u>9,108</u>	<u>549</u>
Operating expenses	<u>(14,635)</u>	<u>(22,018)</u>	<u>(5,801)</u>	<u>(7,053)</u>
	<u>7,360</u>	<u>(11,024)</u>	<u>3,307</u>	<u>(6,504)</u>
Geographical locations				
Taiwan	1,770	6,103	1,409	472
Hong Kong	300	1,829	300	—
The PRC	19,925	2,601	7,399	77
Singapore	—	461	—	—
	<u>21,995</u>	<u>10,994</u>	<u>9,108</u>	<u>549</u>
Operating expenses	<u>(14,635)</u>	<u>(22,018)</u>	<u>(5,801)</u>	<u>(7,053)</u>
	<u>7,360</u>	<u>(11,024)</u>	<u>3,307</u>	<u>(6,504)</u>

4. Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging/(crediting):

(a) Net finance (income)/costs

	Nine months ended 30 September		Three months ended 30 September	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Interest on other borrowings repayable within five years	5	61	3	55
Interest income	(29)	(17)	(2)	(2)
Exchange gain	(12)	(1,033)	(574)	(40)
	<u>(36)</u>	<u>(989)</u>	<u>(573)</u>	<u>13</u>

(b) Other items

Research and development costs (including amortisation of capitalised development costs of HK\$260,000 for the nine months and three months ended 30 September 2002 (2001: HK\$Nil))	6,177	3,666	2,401	1,047
Less: amount capitalized	<u>(3,401)</u>	<u>—</u>	<u>(1,032)</u>	<u>—</u>
	2,776	3,666	1,369	1,047
Operating lease charges in respect of properties	1,599	1,572	551	513
Less: amount capitalised	<u>(306)</u>	<u>—</u>	<u>(54)</u>	<u>—</u>
	1,293	1,572	497	513
Depreciation	1,952	1,191	684	355
Less: amount capitalised	<u>(874)</u>	<u>—</u>	<u>(238)</u>	<u>—</u>
	1,078	1,191	446	355
Cost of inventories	494	1,044	351	20
Auditors' remuneration	394	238	131	225
Provision for doubtful debts	896	3,148	232	452
	<u>896</u>	<u>3,148</u>	<u>232</u>	<u>452</u>

5. Taxation

Taxation represents:

	Nine months ended		Three months ended	
	30 September	30 September	30 September	30 September
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Taxation outside Hong Kong for the period	22	23	7	23
Deferred taxation	(591)	555	(7)	1,648
	<u>(569)</u>	<u>578</u>	<u>—</u>	<u>1,671</u>

No provision for Hong Kong Profits Tax has been provided for the nine months and three months ended 30 September 2002 (2001: HK\$Nil) as the Group sustained a loss for taxation purposes in Hong Kong during the period.

Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdiction.

Deferred tax asset mainly comprises the future benefit of tax losses in respect of a subsidiary, tax incentive for research and development costs and deferred deduction of the provisions for doubtful debts and inventories for tax purposes. There is no significant deferred taxation liability not provided for during the period.

6. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share for the nine months and three months ended 30 September 2002 is based on the profit attributable to shareholders of HK\$7,965,000 and HK\$3,880,000 respectively divided by 630,000,000 shares in issue during the relevant period.

The calculation of basic loss per share for the nine months and three months ended 30 September 2001 is based on the loss attributable to shareholders of HK\$10,613,000 and HK\$8,188,000 respectively divided by 513,000,000 shares after adjusting for the capitalisation issue in 2001 during the relevant period.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the nine months and three months ended 30 September 2002 is based on the profit attributable to shareholders of HK\$7,965,000 and HK\$3,880,000 respectively and the weighted average number of ordinary shares of 633,503,294 shares after adjusting for the effects of all dilutive potential ordinary shares.

Diluted loss per share for the nine months and three months ended 30 September 2001 have not been presented as there were no potential dilutive ordinary shares in issue as at 30 September 2001.

(c) Reconciliations

	Nine months and three months ended 30 September 2002		2001
	Number of shares		<i>Number of shares</i>
Weighted average number of ordinary shares used in calculating basic earnings per share	630,000,000		513,000,000
Deemed issue of ordinary shares for no consideration	3,503,294		
Weighted average number of ordinary shares used in calculating diluted earnings per share	633,503,294		

7. Dividend

The Directors of the Company do not recommend the payment of an interim dividend for the nine months ended 30 September 2002 (2001: HK\$Nil).

8. Capital and reserves

	Share capital	Share premium	Accumulated losses	Exchange reserves	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2001	1,071	22,738	(7,306)	(399)	16,104
Exchange differences arising on the consolidation of the Company's shares and translation of financial statements of subsidiaries outside Hong Kong	—	—	—	(1,947)	(1,947)
Net loss for the period	—	—	(10,613)	—	(10,613)
Issuance of shares by the Company	270	—	—	—	270
Premium arising on the issuance of shares by the Company	—	11,753	—	—	11,753
At 30 September 2001	<u>1,341</u>	<u>34,491</u>	<u>(17,919)</u>	<u>(2,346)</u>	<u>15,567</u>
At 1 January 2002	63,000	—	(8,434)	(2,572)	51,994
Exchange differences arising on the consolidation of the Company's shares and translation of financial statements of subsidiaries outside Hong Kong	—	—	—	522	522
Net profit for the period	—	—	7,965	—	7,965
At 30 September 2002	<u>63,000</u>	<u>—</u>	<u>(469)</u>	<u>(2,050)</u>	<u>60,481</u>

FINANCIAL REVIEW

For the nine months ended 30 September 2002, the Group's performance remained encouraging. The Group achieved a revenue of approximately HK\$22.5 million, representing an increase of approximately HK\$10.5 million as compared to the amount of approximately HK\$12.0 million for the corresponding period of 2001, of which 93.2% (2001: 80.3%) generated from the sales of self-developed standardized software products. Two new Customer Relationship Management ("CRM") solutions, namely eBrokerage and the Linux-based eFinancial Consultant System ("eFC System"), being the new driving forces for the Group's income growth, were successfully launched in the second quarter of 2002 and revenue from these two CRM solutions are expected to be gradually reflected in the second half of 2002.

As the Group continued to develop an effective sales distribution network in the PRC and implement effective cost control measures on both personnel and office rentals during the nine months ended 30 September 2002, profit attributable to shareholders of the Group for the period under review increased to approximately HK\$8.0 million, as compared to loss attributable to shareholders of approximately HK\$10.6 million for the corresponding period of 2001. As a result of the effective cost measures, the Group successfully reduced its operating expenses to approximately HK\$14.6 million for the nine months ended 30 September 2002, representing a 33.5% decrease from approximately HK\$22.0 million for the corresponding period of 2001.

BUSINESS REVIEW

Business development

With an aim to enhance the leading position of being a well-known CRM solutions provider in the Asia Pacific Region, the Group has successfully adjusted its business strategy by evolving from a provider of single generic CRM software products on a horizontal basis across different industries to a provider of specific CRM applications on a vertical basis focused on the finance sector in the first half of 2002. As a result, the Group has successfully launched two new CRM solutions, namely eBrokerage and eFC System, in the second quarter of 2002 of which their target markets are securities and banking industries respectively.

eBrokerage

As a CRM solution which caters for the securities industry, eBrokerage has the capabilities to analyze the customers' trading portfolios and group customers with similar trading behaviours and characteristics into different categories for effective management. By implementing eBrokerage, the securities brokers will be able to provide their customers with timely advices on investment plans and instant responses to their requests as well as risk management in order to enhance the service quality and customer satisfaction. In addition, the securities brokers can better understand the customers' trading behaviours and manage effectively their portfolios through the use of eBrokerage.

China Securities Company Limited ("China Securities"), a first tier securities company in the PRC, which currently using the Group's eBrokerage at one of its major sales offices, will take two years for the completion of installation and implementation of the system before the deployment by all its major sales offices. For the period under review, several leading securities companies in the PRC are testing eBrokerage following its adoption by China Securities.

eFC System

The Linux-based eFC System enables financial management consultants from banks and other financial institutions to have detailed analysis and understanding of customers' financial status so that they can develop suitable investment portfolio and adjust immediately of the investment strategies and plans for customers. This innovative eFC System with business intelligence also allows financial management consultants to effectively perform risk management and to satisfactorily fulfill the requests for customers. At the date of this report, the Directors believe that the Group's eFC System takes a leading role in the banking industry of the CRM market in the PRC.

For the period under review, the Group and the Beijing Branch of Guangdong Development Bank ("GD Bank") has entered into an agreement for the adoption of the Group's eFC System. Under the agreement, other branches of GD Bank will operate the eFC System in full scale should the system operated satisfactorily in its Beijing Branch. Apart from GD Bank, several leading banks in the PRC are testing the Group's eFC System.

Issue of Convertible Bonds

With a view to further strengthen the Group's financial position, the Company and each of Golden J&N Investment Inc. ("Golden J&N") and Sinopac Securities (Asia) Limited ("Sinopac Securities") ("the Subscribers") entered into the Subscription Agreements dated 30 September 2002 pursuant to which the Subscribers have agreed to subscribe for the convertible bonds in an aggregate principal amount of HK\$6,250,000 (the "Bonds"). The three-year-to-maturity convertible bonds bear no interest of which the Bonds are convertible into ordinary shares of HK\$0.10 each in the share capital of the Company (the "Shares") at a conversion price of HK\$0.20 per share (the "Conversion Price") subject to adjustment. The Bonds will not be listed on the Stock Exchange or any other stock exchange.

The maximum number of new Shares which may be issued upon full conversion of the Bonds based on the Conversion Price is 31,250,000, representing approximately 4.96% and approximately 4.72% of the existing issued share capital and the enlarged issued share capital respectively.

The Directors believe that the subscription of the Bonds by Golden J&N and Sinopac Securities has demonstrated the investors' confidence in the Group.

PROSPECTS

With the Group's solid background and its base firmly established in the PRC, strong R&D capabilities, a management team that has strong market sense, the Directors believe that the Group is well positioned to exploit growth opportunities emerging from the rapidly changing IT industry and the economic environment in the Asia Pacific region, especially the PRC.

Looking ahead, the Group will continue its plans to further penetrate into the PRC market by continuing to develop an effective sales distribution network and enhance its R&D capabilities by identifying opportunities of forming strategic alliances with suitable IT companies. The Directors believe that these plans will not only increase the Group's market share and broaden its revenue and client base but also further consolidate the Group's position as the leading CRM solutions provider in the Asia Pacific Region.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at 30 September 2002, the interests of the Directors in the issued share capital and options of the Company and associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) (the "SDI Ordinance") at that date as recorded in the register of Directors' share interests maintained by the Company under section 29 of the SDI Ordinance were as follows:

(i) Interest in the Company

	Note	Ordinary shares of HK\$0.1 each				Total interests
		Personal interests	Family interests	Corporate interests	Other interests	
Mr. Hu Shin-Min, Alex ("Mr. Hu")	1	—	—	161,254,875	—	161,254,875
Ms. Chiang Li-Chin, Grace ("Ms. Chiang")	1	—	—	161,254,875	—	161,254,875
Mr. Chang Jun-Min ("Mr. Chang")		10,800,000	—	—	—	10,800,000
Mr. Huang Hsian-Cheng ("Mr. Huang")		5,400,000	—	—	—	5,400,000
Mr. Chu Han-Ping ("Mr. Chu")		4,500,000	—	—	—	4,500,000

(ii) Interest in associated corporations

AKuP International Technology Co., Ltd. ("AKuP Taiwan")

	Note	Ordinary shares of HK\$0.1 each				Total interests
		Personal interests	Family interests	Corporate interests	Other interests	
Mr. Hu	2	1	2	—	—	3
Ms. Chiang	2	1	2	—	—	3

Notes:

- Mr. Hu and Ms. Chiang (Mr. Hu's wife) are beneficial shareholders of 59.33% and 27.26% respectively of the issued share capital of Sean & Leo Assets Management Limited which owned 161,254,875 shares in the Company at 30 September 2002.
- Each of Mr. Hu and Ms. Chiang will be deemed to have interests in 1 share in AKuP Taiwan held by Mr. Hu Yao-Hsiang (Mr. Hu and Ms. Chiang's infant child) and Mr. Hu Yao-Hsun (Mr. Hu and Ms. Chiang's infant child) respectively under the SDI Ordinance.

(iii) **Right to acquire shares**

Details of Directors' interests under the Company's share option scheme are set out in the section "Share Option Scheme" below.

Save as disclosed above, none of the Directors or their respective associates had, as at 30 September 2002, any interests in the shares of the Company or any of its associated corporations as recorded in the register required to be kept under section 29 of the SDI Ordinance.

SHARE OPTION SCHEME

Pursuant to a written resolution passed on 24 October 2001, a share option scheme was approved and the Directors may, at their discretion, invite any employee (except part time employee who has spent less than 10 hours per week in providing services to the Group) or Directors of the Group and consultants of and advisors to the Group, to take up options to subscribe for shares of the Company at a price to be determined by the Board. The subscription price will be at least the highest of:

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day;
- (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and
- (iii) the nominal value of a share.

The maximum number of shares in respect of which options may be granted under the share option scheme of the Company must not (when aggregated with shares subject to any other employee share option scheme) in aggregate exceed 10 per cent. of the Company's shares in issue as at the date of listing of shares on the GEM.

At 30 September 2002, the Directors and employees of the Company had the following interests in options to subscribe for shares of the Company (market value per share at 30 September 2002 is HK\$0.265) granted at nominal consideration under the share option scheme of the Company. Each option gives the holder the right to subscribe for one share.

	No. of options outstanding at 1 January 2002	No. of options outstanding at 30 September 2002	Date granted	Period during which options exercisable	Price per share on exercise of options	Market value per share at date of grant of options
Directors						
Mr. Hu	—	1,510,000	12 April 2002	11 April 2003 to 10 April 2008	HK\$0.191	HK\$0.173
	—	1,510,000		11 April 2004 to 10 April 2009		
	—	2,020,000		11 April 2005 to 10 April 2010		
Ms. Chiang	—	1,410,000	12 April 2002	11 April 2003 to 10 April 2008	HK\$0.191	HK\$0.173
	—	1,410,000		11 April 2004 to 10 April 2009		
	—	1,880,000		11 April 2005 to 10 April 2010		
Mr. Chang	—	1,210,000	12 April 2002	11 April 2003 to 10 April 2008	HK\$0.191	HK\$0.173
	—	1,210,000		11 April 2004 to 10 April 2009		
	—	1,610,000		11 April 2005 to 10 April 2010		
Mr. Huang	—	1,210,000	12 April 2002	11 April 2003 to 10 April 2008	HK\$0.191	HK\$0.173
	—	1,210,000		11 April 2004 to 10 April 2009		
	—	1,610,000		11 April 2005 to 10 April 2010		
Mr. Chu	—	1,310,000	12 April 2002	11 April 2003 to 10 April 2008	HK\$0.191	HK\$0.173
	—	1,310,000		11 April 2004 to 10 April 2009		
	—	1,750,000		11 April 2005 to 10 April 2010		
	—	22,170,000				

	No. of options outstanding at 1 January 2002	No. of options outstanding at 30 September 2002	Date granted	Period during which options exercisable	Price per share on exercise of options	Market value per share at date of grant of options
Management shareholders other than Directors						
Mr. Chou Sung-Yi	—	1,100,000	12 April 2002	11 April 2003 to 10 April 2008	HK\$0.191	HK\$0.173
	—	1,100,000		11 April 2004 to 10 April 2009		
	—	1,480,000		11 April 2005 to 10 April 2010		
Mr. Liao Chien- Chih	—	650,000	12 April 2002	11 April 2003 to 10 April 2008	HK\$0.191	HK\$0.173
	—	650,000		11 April 2004 to 10 April 2009		
	—	870,000		11 April 2005 to 10 April 2010		
Ms. Ma Chia-Yi	—	600,000	12 April 2002	11 April 2003 to 10 April 2008	HK\$0.191	HK\$0.173
	—	600,000		11 April 2004 to 10 April 2009		
	—	810,000		11 April 2005 to 10 April 2010		
Mr. Wang Chih-Chin	—	600,000	12 April 2002	11 April 2003 to 10 April 2008	HK\$0.191	HK\$0.173
	—	600,000		11 April 2004 to 10 April 2009		
	—	810,000		11 April 2005 to 10 April 2010		
Ms. Zhang Ying	—	550,000	12 April 2002	11 April 2003 to 10 April 2008	HK\$0.191	HK\$0.173
	—	550,000		11 April 2004 to 10 April 2009		
	—	740,000		11 April 2005 to 10 April 2010		
	—	11,710,000				
Employees						
	—	7,770,000	12 April 2002	11 April 2003 to 10 April 2008	HK\$0.191	HK\$0.173
	—	7,770,000		11 April 2004 to 10 April 2009		
	—	10,390,000		11 April 2005 to 10 April 2010		
	—	25,930,000				
Total	—	59,810,000				

The share options granted are not recognised in the financial statements until they are exercised. During the nine months ended 30 September 2002, no option was exercised under the share option scheme.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate, and none of the Directors, or their spouses or children under eighteen years of age, had any right to subscribe for the shares of the Company, or had exercised any such right during the period.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The Company has been notified of the following interests in the Company's issued shares as at 30 September 2002, amounting to 10% or more of the ordinary shares in issue as recorded in the register of substantial interests maintained by the Company under section 16(1) of the SDI Ordinance:

	Note	Ordinary shares held	Percentage of total issued shares
Sean & Leo Assets Management Limited	3	161,254,875	25.60%
Mr. Lee Kwok Hung ("Mr. Lee")	4	75,181,794	11.93%
Ms. Tsang Kit Yu ("Ms. Tsang")	4	6,590,000	1.05%
Grand Pacific Investment & Development Co., Ltd. ("Grand Pacific")	5	39,349,845	6.25%
Century Venture Capital Co., Ltd. ("Century VC")	6	18,992,850	3.01%
H-Com Venture Capital Co., Ltd. ("H-Com VC")	6	9,227,859	1.46%
Jupiter Venture Capital Co., Ltd. ("Jupiter VC")	6	9,227,859	1.46%
Mercury Venture Capital Co., Ltd. ("Mercury VC")	6	9,227,859	1.46%
Venus Venture Capital Co., Ltd. ("Venus VC")	6	9,227,859	1.46%

Notes:

- Sean & Leo Assets Management Limited is beneficially owned by Mr. Hu, Ms. Chiang, Mr. Hu Wey-Min (Mr. Hu's brother) and Ms. Lin Hsueh-Yun (Mr. Hu's mother) as to approximately 59.33 per cent., 27.26 per cent., 7.58 per cent., and 5.83 per cent. respectively.
- Mr. Lee and Ms. Tsang (Mr. Lee's wife) are independent third parties who are not connected with the Directors, chief executives, substantial shareholders or management shareholders of the Company or any of their respective associates.
- Grand Pacific is owned by the associated parties of 辜濂松 (Mr. Jeffrey Lien-Sung Koo) and 駱錦明 (Mr. Kenneth C.M. Lo) and other corporate and individual investors.
- Each of Century VC, H-Com VC, Jupiter VC, Mercury VC and Venus VC (the "VCs") is a separate discretionary investment fund of which Pacific Venture Partners and Pacific Capital Partners are their fund managers. Any new investments made by each of the VCs are subject to the approval of the directors of the respective VC. The shareholders of each of the VCs are mainly individual Taiwanese, investment trusts, financial companies or other corporations.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 30 September 2002.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or its subsidiaries was a party, in which a director of the Company had a material interest, subsisted at the end of the third quarter of 2002 or at any time during the nine months ended 30 September 2002.

SPONSOR'S INTERESTS

According to the notification from the Company's sponsor, Core Pacific-Yamaichi Capital Limited ("CPY"), their directors, employees or associates, did not have any interest in the share capital of the Company or any of its subsidiaries, or any right to subscribe for or to nominate persons to subscribe for the share capital of the Company or any of its subsidiaries as at 30 September 2002.

Pursuant to the Sponsor's Agreement dated 30 October 2001 entered into between the Company and CPY, CPY received, and will receive, fees for acting as the Company's retained sponsor for the period from 5 November 2001 to 31 December 2003 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interest with the Group.

AUDIT COMMITTEE

The Company established an audit committee on 24 October 2001 with written terms of reference in compliance with the requirements as set out in rules 5.23 and 5.24 of the GEM Listing Rules. The audit committee comprises two independent non-executive directors, Mr. Hsu Hsiang-Jen and Mr. Lee Mun Chee and an executive director, Mr. Hu and reports to the Board. The primary duties of the audit committee are to review, in draft form, the Company's annual report and accounts, half year report and quarterly reports, and to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board.

The audit committee has reviewed the Company's unaudited third quarterly report for the nine months ended 30 September 2002 before its publication. During the period under review, the audit committee held a meeting with the Company's auditors, the qualified accountant and the Group's senior management.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the nine months ended 30 September 2002, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

BOARD PRACTICES AND PROCEDURES

During the nine months ended 30 September 2002, the Company has complied with the Board Practices and Procedures concerning the general management responsibilities of the Board as set out in rules 5.28 to 5.39 of the GEM Listing Rules.

By Order of the Board
AKuP International Holding Limited
Hu Shin-Min, Alex
President & Chief Executive Officer

Taipei, Taiwan, 11th November 2002