

INTERIM REPORT

The Board of Directors (the "Directors") of iQuorum Cybernet Limited (the "Company") are pleased to announce the unaudited condensed consolidated interim financial statements (Note 1) of the Company and its subsidiaries (the "Group") for the six months ended 31st December 2000 as follows:–

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st December, 2000

	NOTES	Six months ended	
		31/12/00 (Unaudited) HK\$'000	31/12/99 (Unaudited) HK\$'000
Turnover	2	85,959	65,170
Cost of sales		(76,279)	(56,464)
Gross profit		9,680	8,706
Investment income		173	(1)
Other revenue		5,065	1,802
Interest income		2,808	5,648
Distribution costs		(2,915)	(1,503)
Administrative expenses		(20,426)	(16,507)
Loss on disposal of fixed assets		–	(850)
Gain on disposal of listed shares		8,887	–
Write back for diminution in listed investments		–	10,000
Profit from operations		3,272	7,295
Finance costs		(4,079)	(3,206)
Share of results of associates		–	(1)
(Loss) profit before taxation		(807)	4,088
Taxation charge (credit)		–	–
(Loss) profit before minority interests		(807)	4,088
Minority interests		(442)	(988)
(Loss) profit for the period	3	(1,249)	3,100
(Loss) profit per share	4		
– Basic		(0.05 cents)	0.19 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 31st December, 2000

	<i>NOTES</i>	31/12/00 (Unaudited) HK\$'000	30/06/00 (Audited) HK\$'000
Non-current Assets			
Investment properties	5	206,611	128,800
Property, plant and equipment		79,696	82,172
Other securities		8,601	33,215
Other investments		52,131	18,662
		<u>347,039</u>	<u>262,849</u>
Current Assets			
Inventories		13,752	20,490
Trade and other receivables	6	64,898	46,020
Short-term loans receivable		3,096	7,665
Amount due from ultimate holding company		145	1,250
Amounts due from fellow subsidiaries		–	362
Taxation recoverable		43	43
Pledged time deposits		4,989	4,854
Other time deposits		425	85,305
Bank balances and cash		2,156	11,281
		<u>89,504</u>	<u>177,270</u>
Current Liabilities			
Trade and other payables	7	28,203	36,287
Amounts due to fellow subsidiaries		–	7,815
Obligations under finance leases			
– due within one year		284	273
Other borrowings – secured		16,792	2,959
Bank borrowings – due within one year		20,831	19,433
		<u>66,110</u>	<u>66,767</u>
Net Current Assets		<u>23,394</u>	<u>110,503</u>
		<u>370,433</u>	<u>373,352</u>

		31/12/00 (Unaudited) HK\$'000	30/06/00 (Audited) HK\$'000
	NOTES		
Capital and Reserves			
Share capital	8	574,631	574,631
Reserves		<u>(226,404)</u>	<u>(213,568)</u>
		<u>348,227</u>	<u>361,063</u>
Minority interests		<u>6,951</u>	<u>6,359</u>
Non-current Liabilities			
Amount due to a minority shareholder		1,890	1,890
Obligations under finance leases		–	129
Borrowings – due after one year		<u>13,365</u>	<u>3,911</u>
		<u>15,255</u>	<u>5,930</u>
		<u><u>370,433</u></u>	<u><u>373,352</u></u>

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 31st December, 2000

	Six months ended 31/12/00 (Unaudited) HK\$'000
Surplus on revaluation of investment properties	7,021
Unrealised holding loss on revaluation of other securities	<u>(5,794)</u>
Gains not recognised in the income statement	1,227
Loss for the period	<u>(1,249)</u>
Total recognised losses	(22)
Elimination against reserves of goodwill arising on acquisition of subsidiaries	<u>(15)</u>
	<u><u>(37)</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st December, 2000

	<i>NOTES</i>	Six months ended 31/12/00 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		<u>(27,934)</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received		2,980
Dividends received		1
Bank interest paid		<u>(2,751)</u>
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>230</u>
INVESTING ACTIVITIES		
Proceeds from disposal of other securities		21,086
Purchase of property, plant and equipment		(1,359)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	<i>10</i>	(51,300)
Purchase of other investments		(33,468)
Increase in pledged time deposits	<i>11</i>	<u>(135)</u>
NET CASH INFLOW FROM INVESTING ACTIVITIES		<u>(65,177)</u>
NET CASH OUTFLOW BEFORE FINANCING		<u>(92,920)</u>
FINANCING		
Bank borrowing raised		30,305
Repayment of obligations under finance leases		(118)
Repayment of mortgage loan and other borrowings		<u>(29,246)</u>
NET CASH INFLOW FROM FINANCING		<u>941</u>
DECREASE IN CASH AND CASH EQUIVALENTS		(91,708)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		<u>77,737</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<i>12</i>	<u><u>14,282</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31st December, 2000

1. ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investment in securities and in accordance with accounting principles generally accepted in Hong Kong.

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 (SSAP 25) Interim Reporting except that, in this first year of implementation of the Standard, as permitted by the Hong Kong Stock Exchange Listing Rules, no comparative figures have been presented for either the condensed statement of recognised gains and losses or for the condensed cash flow statement.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 30th June 2000.

2. SEGMENT INFORMATION

The Group's turnover and profit from operations for the six months ended 31st December 2000 analysed by product category, are as follows:

	Turnover		Profit from operations	
	For the six months ended 31st December		For the six months ended 31st December	
	2000	1999	2000	1999
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Cable harness	53,296	53,200	472	1,019
OEM products	8,269	6,490	73	124
PCB	24,394	5,480	216	106
	<u>85,959</u>	<u>65,170</u>	<u>761</u>	<u>1,249</u>
Unallocated corporate (expenses) income			(1,568)	2,840
(Loss) profit from operations			<u>(807)</u>	<u>4,089</u>
By geographical area:				
Mainland China	2,076	3,411		
North America	4,151	3,639		
Europe	23,506	5,076		
Hong Kong	49,777	39,221		
Other Asian Regions	6,449	13,823		
	<u>85,959</u>	<u>65,170</u>		

3. LOSS FOR THE PERIOD

Of the Group's loss for the period, a loss of HK\$1,249,321 (1999: profit of HK\$3,099,574) has been dealt with in the financial statements of the Company.

4. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders of HK\$1,249,321 (1999: profit of HK\$3,099,574) and on the weighted average of 2,298,523,641 (1999: 1,606,197,244) shares in issue during the period.

No diluted loss per share amount has been presented for both period as the exercise price of the share options and warrants (1999: share options) were higher than the market price of the Company's shares during both period.

5. INVESTMENT PROPERTIES

	2000 (Unaudited) HK\$'000
VALUATION	
At 1st July, 2000	128,800
Additions	11
Acquisition of subsidiaries	77,800
	<hr/>
At 31st December, 2000	206,611
	<hr/>
NET BOOK VALUES	
At 31st December, 2000	206,611
	<hr/>
At 30th June, 2000	128,800
	<hr/>

The investment properties of the Group and of the Company were revalued at 30th June, 2000 by RHL International Property Consultants, Francis Lau & Co. (Surveyors) Ltd., an independent professional valuer, on an open market value basis.

The value of investment properties held by the Group comprises the following:

	2000 (Unaudited) HK\$'000
Under long leases in Hong Kong	158,611
Under medium-term leases in the People's Republic of China (the "PRC")	48,000
	<hr/>
	206,611
	<hr/>

The investment properties held by the Company are under long leases in Hong Kong.

6. TRADE AND OTHER RECEIVABLES

The following is an aged analysis of accounts receivables at the reporting date:

	31/12/00 (Unaudited) HK\$'000	30/06/00 (Audited) HK\$'000
Within due date	13,234	9,096
Overdue under 30 days	11,947	10,010
Overdue 31-60 days	9,119	2,801
Overdue over 60 days	30,598	24,113
	<u>64,898</u>	<u>46,020</u>

7. TRADE AND OTHER PAYABLES

The following is an aged analysis of accounts payables at the reporting date:

	31/12/00 (Unaudited) HK\$'000	30/06/00 (Audited) HK\$'000
Within due date	2,446	4,981
Overdue under 30 days	6,053	8,262
Overdue 31-60 days	4,468	7,104
Overdue over 60 days	15,236	15,940
	<u>28,203</u>	<u>36,287</u>

8. SHARE CAPITAL

	Number of ordinary shares '000	Amount HK\$'000
Ordinary shares of HK\$0.25 each		
Authorised:		
At 31st December, 2000	<u>3,200,000</u>	<u>800,000</u>
Issued and fully paid:		
At 31st December, 2000	<u>2,298,524</u>	<u>574,631</u>

9. WARRANTS

No 2004 Warrants were exercised during the period. Exercise in full of such warrants would result in the issue of approximately 459,704,728 additional ordinary shares of HK\$0.25 each.

10. ACQUISITION OF SUBSIDIARIES

	31/12/00 (Unaudited) HK\$'000	30/06/00 (Audited) HK\$'000
Net assets acquired:		
Property, plant and equipment	77,800	94
Trade and other receivables	-	1,657
Bank balances and cash	-	18
Trade and other payables	-	(86)
Amount due to ultimate holding company	-	(1,018)
Bank loan	(25,683)	-
Deposit received	(833)	-
Minority interests	-	(272)
	<u>51,284</u>	<u>393</u>
Goodwill arising on acquisition of subsidiaries	16	153
	<u>51,300</u>	<u>546</u>
Satisfied by:		
Cash consideration	<u>51,300</u>	<u>546</u>

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	31/12/00 (Unaudited) HK\$'000	30/06/00 (Audited) HK\$'000
Cash paid	(51,300)	(546)
Bank balances and cash acquired	-	18
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u>(51,300)</u>	<u>(528)</u>

11. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged its time deposits amounting to approximately HK\$4,989,000 (30TH June 2000: HK\$4,854,000) to secure general banking facilities granted to the Group.

12. POST BALANCE SHEET EVENTS

On 22nd February, 2001, the Directors announced that the Company intended to put before the Shareholders reorganisation proposals involving a change of domicile of the Company by way of a scheme of arrangement under Section 166 of the Companies Ordinance and a related warrant proposal, which will be put to the Warrant holders separately.

Upon the Scheme becoming effective, the Company will become a wholly-owned subsidiary of Holdings, a new holding company incorporated in Bermuda which will become the holding company of the Group. The Holdings Shares and the Holdings Warrants will be listed on the Stock Exchange by way of introduction and the listing of the Shares and the Company Warrants on the Stock Exchange will be withdrawn.

INTERIM DIVIDEND

The Directors do not recommend the payment of a dividend for the six months ended 31st December, 2000 (1999: Nil).

REVIEW OF OPERATIONS & PROSPECTS

The Group's turnover for the six months ended 31st December, 2000 was approximately HK\$86.0 million, which represented an increase of 32% from the turnover approximately of HK\$65.2 million of the same period last year. The administrative expenses for the six months ended 31st December 2000 were approximately HK\$20.4 million, which represented an increase of 24% from the expenses in the amount of approximately HK\$16.5 million which was incurred of the same period last year. The loss for the period was approximately HK\$1.3 million which represented a decrease of 140% from the profit of approximately HK\$3.1 million of the same period last year. During the period, the Group have disposed a listed investment at a profit of around HK\$8.8 million.

The increased demand for computers has boosted up the sales of one of our subsidiaries which is engaged in the manufacture of connector's that are ultimately assembled for use in personal computers and OEM electronics products. The subsidiary is in a stable and growth period and is generating profits.

We are continuing to develop our e-commerce business and building up web infrastructure network in the PRC. With China entering the World Trade Organization (WTO), we believe that PRC enterprises will have an ever-increasing demand of computer, software and the e-commerce application services. Our software subsidiary in China is engaged to develop web base application programs, e-commerce, office automation and custom software development for clients.

In October, 2000, the Group had acquired the entire issued share capital of Applied Technology Limited from Applied International Holdings Limited. Applied Technology Limited has a property with approximately 10,801 square feet located on 46th floor in Far East Finance Centre, 16 Harcourt Road, Central. The property is presently leased to an independent third party and the lease will expire at the end of March 2001. As the present rental market for the top class commercial buildings is very good, the group expect that there will be an increase of 60% of the rent in the new lease for this property. With existing properties located in Hong Kong and PRC owned by the Group being 100% rented out, a stable rental income is expected to be generated during coming years.

REDOMICILE

The Group intends to change the domicile of the Company. The reorganisation proposals will be effected by way of a scheme of arrangement under Section 166 of the Companies Ordinance and a related warrant proposal.

The Group believes that it is in the best interests of the Company and the shareholders of the Company as a whole that the holding company of the Group be established in an offshore jurisdiction familiar to international investors with a view to enhancing the international standing of the Group. The proposed group structure, with a new holding company in Bermuda, is expected also to allow the Group greater flexibility in formulating any future expansion plans which, if appropriate, may be carried out by overseas subsidiaries of the new holding company, particularly with China entering W.T.O., the Group is planning to represent overseas companies for their products to explore China market.

Bermuda has been chosen as the place of incorporation of the Group's intended holding company in view of its political stability, its common law legal system and its importance as an international centre with a large number of international companies incorporated there.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 2000, the interests of directors of the Company in the shares and warrants of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:-

(A) Shares & Warrants

Name of Directors	Number of shares held	Number of warrants held
	Corporate interests (Note)	Corporate interests (Note)
Hung Wong Kar Gee Mimi	1,269,128,075	236,810,015
Hung Kin Sang Raymond	1,269,128,075	236,810,015

Note: 1,242,214,337 shares and 234,810,068 warrants were held by Batimate Limited, and 2,238 shares and 447 warrants were held by Applied Electronics Limited respectively, both of which are wholly-owned subsidiaries of Applied International Holdings Limited (“Applied Holdings”), a company listed on the Hong Kong Stock Exchange. The remaining 26,911,500 shares and 1,999,500 warrants were held by Applied Holdings and Applied Holdings is controlled by Capita Company Inc., a company wholly-owned by Marami Foundation as the trustee of Raymond Hung / Mimi Hung & Family Trust. All units in Raymond Hung / Mimi Hung & Family Trust are beneficially owned by a discretionary trust, the beneficiaries of which include the family members of Raymond Hung / Mimi Hung.

(B) Share Options

Name of Directors	Unexercised options at 02/07/2000	Exercise price per share HK\$
Hung Wong Kar Gee Mimi	6,960,000	0.25
Hung Kin Sang Raymond	9,280,000	0.25
Fang Chin Ping	1,160,000	0.25

The share options were granted on 3rd July, 1997 under the share option scheme of the Company adopted on 6th September, 1991 and entitle the holders thereof to subscribe for shares at an adjusted subscription price of HK\$0.25 per share in various stages during the period from 3rd July, 1997 to 2nd July, 2000.

Save as disclosed herein and other than certain nominee shares in the subsidiaries held in trust for the Company, none of the directors, chief executives or their associates had any interests in the share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2000, according to the register required to be kept under section 16(1) of the SDI Ordinance, the shareholder who was interested in 10% or more of the share capital of the Company was as follows:-

Shareholder	Number of shares held
Batimate Limited	1,242,214,337

Save as disclosed herein, no other person is recorded in the register kept pursuant to section 16(1) of the SDI Ordinance as having an interest of 10% or more in the issued share capital of the Company.

PURCHASE, SALE 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 during the six months ended 31st December, 2000.

AUDIT COMMITTEE

The Company has set up an audit committee with written term of reference since December 1999 which comprises two independent non-executive directors of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the unaudited condensed interim financial statements.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of information that would reasonably indicate that the Company is not in compliance with the code of Best Practice set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited except that non-executive Directors are not appointed for a specific term because they are subject to rotation in Annual General Meetings in accordance with the Articles of Association of the Company.

On behalf of the Board
Hung Wong Kar Gee Mimi
Director

Hong Kong, 27th March, 2001