

Investment (International) Holdings Limited ("SBIIH") whereby SBIIH has agreed to subscribe for cash for 132,653,061 new shares at an aggregate subscription price of HK\$130 million. The acquisition of e2-Capital Securities is expected to be completed on or about 3 April 2001, subject to shareholders' approval and other conditions.

In addition, the Company has subscribed for a HK\$10 million stake in iLink Holdings Limited ("iLink"), as part of iLink's pre-initial public offering placement of shares to strategic investors. iLink was listed on the Growth Enterprise Market of the Stock Exchange in Hong Kong on 9 March 2001. iLink is an Internet application solution provider, targeting small and medium-sized enterprises in Asia with a focus on Greater China. Management regards the total services provided by iLink as specialist activities which have the potential to facilitate and enhance the Company's Net-Trans concept of taking offline businesses online.

## **LIQUIDITY AND FINANCIAL RESOURCES**

At 31 December 2000, the Group had total available banking facilities of approximately HK\$57 million of which HK\$35 million remained unutilized. In addition, the Group had bank and cash balances of approximately HK\$78 million on the same date.

At 31 December 2000, the total borrowings of the Group amounted to HK\$122,449,000, out of which HK\$14,077,000 and HK\$101,615,000 are repayable in 2001 and 2002 respectively. The remaining borrowings of the Group of HK\$6,757,000 are repayable in the years from 2003 to 2005. The Group's borrowings denominated in Hong Kong dollar and Renminbi were HK\$113,958,000 and HK\$8,491,000 respectively.

Regarding the loans to be repaid in 2002, Management is working diligently to explore repayment methods and realise adequate proceeds to repay such amounts, and hopes to be able to realise adequate proceeds from the sale and streamlining of the Group's existing traditional business as the Group continues to diversify into Internet-related businesses. The streamlining of the Group's business is expected to involve the disposal of non-core assets and businesses before the maturity of the loan.

At 31 December 2000, the gearing ratio of the Group was 45.9% (at 30 June 2000: 7.6%) calculated by dividing the total borrowings of HK\$122,449,000 (at 30 June 2000: HK\$26,052,000) by shareholders' funds of HK\$266,650,000 (at 30 June 2000: HK\$344,126,000).

## **CHARGES ON GROUP ASSETS**

At 31 December 2000, the Group's banking facilities were secured by properties of the Group with net book value of HK\$76,023,000 (at 30 June 2000: HK\$82,500,000).

## **EMPLOYEES**

As at 31 December 2000, the total number of employees of the Group was around 840. The employees are offered discretionary bonuses based on merit and performance. The Group also encourages and subsidizes employees to enroll in external training courses and seminars organized by professional bodies. Details of the Group's share option scheme were disclosed in the circular dated 25 September 2000.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the six months ended 31 December 2000, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31 December 2000, the interests of the Directors in the shares of the Company as recorded in the register kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as notified to the Company were as follows:

Name of Director	Number of ordinary shares of HK\$0.10 each of the Company		
	Personal Interest	Corporate Interest	Total
Lawrence, Kam Kee YU	162,918,026	4,882,965*	167,800,991
Junichi GOTO	14,003,250	—	14,003,250
Ricky, Kam Wai YU	12,083,885	—	12,083,885
Lincoln, Kam Yuen YU	12,083,885	—	12,083,885

\* Mr Lawrence, Kam Kee YU has a shareholding of 60% in Henway Enterprises Limited, the beneficial owner of 4,882,965 shares of the Company.

Details of the share options granted to certain Directors of the Company during the financial period and outstanding at 31 December 2000 are listed below. The outstanding options were granted pursuant to the Company's share option scheme; such options entitle the holders to subscribe for shares in the Company at HK\$0.48 per share at any time during the period from 1 November 2000 to 31 October 2010.

Name of Director	Number of shares under options			
	As at 30 June 2000	Cancelled during the period	Granted during the period	As at 31 December 2000
Yoshitaka KITAO	17,772,000	17,772,000	27,960,000	27,960,000
Hiroyuki NAKANISHI	8,886,000	8,886,000	20,000,000	20,000,000
Katsuya KAWASHIMA	8,886,000	8,886,000	15,000,000	15,000,000
Junichi GOTO	8,886,000	8,886,000	15,000,000	15,000,000
Steve, Ming Jang CHANG	12,694,000	12,694,000	15,000,000	15,000,000

Save as disclosed above, none of the Directors or chief executives of the Company had any interest in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance), and none of the Directors or chief executives of the Company (or their spouse or children under 18 years of age) had any right to subscribe for any equity or debt securities of the Company, or had exercised any such right.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, the register maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following interests, being 10% or more of the Company's issued share capital:

Name	Number of ordinary shares of HK\$0.10 each
Softbank Investment (International) Holdings Limited*	777,250,000
SB K&K Corporation*	260,000,000

\* Softbank Investment (International) Holdings Limited is a direct wholly-owned subsidiary of Softbank Investment Corporation ("SBI"). SB K&K Corporation is a direct wholly-owned subsidiary of Softbank Finance Corporation ("SBF"). SBF also owns 85% interests in SBI and is in turn a direct wholly-owned subsidiary of SOFTBANK CORP..

## CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at any time during the six months ended 31 December 2000.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim accounts for the six months ended 31 December 2000. At the request of the Audit Committee, the Group's external auditors have carried out a review of the unaudited interim accounts in accordance with the Statement of Auditing Standards 700 issued by the Hong Kong Society of Accountants.

By Order of the Board

**Yoshitaka Kitao**

*Chairman, President and Chief Executive Officer*

Hong Kong, 27 March 2001