

eCyberChina Holdings Limited

光訊控股集團有限公司

(Incorporated in Hong Kong with limited liability)

INTERIM REPORT

Interim Report 2003



The Board of Directors (“Directors”) of eCyberChina Holdings Limited (the “Company”) hereby presents the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2002.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		2002	2001
		(unaudited)	(unaudited)
	Note	HK\$'000	HK\$'000
Turnover	3	7,804	2,089
Direct costs		(5,358)	(63)
Gross profit		2,446	2,026
Other operating income		75	74
Allowance for properties held for sale		(12,400)	–
Administrative and operating expenses		(13,557)	(13,538)
Loss from operations	4	(23,436)	(11,438)
Finance costs		(5,623)	(4,870)
Amortisation of goodwill		–	(9,458)
Share of results of associates		(5,112)	(1,106)
Loss before taxation		(34,171)	(26,872)
Taxation	5	–	–
Loss for the period		(34,171)	(26,872)
Minority interest		886	–
Loss attributable to shareholders		(33,285)	(26,872)
Loss per share			
Basic	7	(HK\$0.013)	(HK\$0.014)

CONDENSED CONSOLIDATED BALANCE SHEET*As at 31 December 2002*

		31.12.2002	30.6.2002
		Unaudited	Audited
	<i>Notes</i>	HK\$'000	HK\$'000
Non-Current Assets			
Investment properties	8	60,900	60,900
Property, plant and equipment		2,314	2,963
Deposit paid for the purchase of investment properties		–	–
Interests in associates	9	–	–
Interests in a jointly controlled entity		–	–
		63,214	63,863
Current Assets			
Inventories		3,173	4,527
Properties held for sale		71,500	83,900
Properties held for sale		59,800	59,800
Other investment		–	–
Trade and other receivables	10	8,149	9,083
Bank balances and cash		230	799
		142,852	158,109
Current Liabilities			
Deposit received on disposal of properties held for sale		25,757	25,757
Deposit received on disposal of properties held for sale		4,504	–
Trade and other payables	11	41,216	44,116
Obligations under finance leases			
– due within one year		371	853
Bank and other borrowings			
– due within one year	12	103,733	91,973
		175,581	162,699
Net Current Liabilities		(32,729)	(4,590)
		30,485	59,273

CONDENSED CONSOLIDATED BALANCE SHEET (continued)*As at 31 December 2002*

		31.12.2002	30.6.2002
		Unaudited	Audited
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Capital and Reserves			
Share capital	15	573,500	516,700
Reserves		(543,510)	(458,537)
		29,990	58,163
Minority interest		–	886
Non-Current Liabilities			
Obligations under finance leases			
– due after one year		495	224
		30,485	59,273

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 31 December 2002*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other Reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2001	373,100	97,137	-	(111,593)	358,644
Issue of shares on exercise of share options	4,400	-	-	-	4,400
Loss attributable to shareholders	-	-	-	(26,872)	(26,872)
At 31 December 2001	377,500	97,137	-	(138,465)	336,172
Issue of shares for acquisition of other investment	136,000	6,120	-	-	142,120
Issue of shares on exercise of share options	3,200	-	-	-	3,200
Loss attributable to shareholders	-	-	-	(423,329)	(423,329)
At 30 June 2002	516,700	103,257	-	(561,794)	58,163
Issue of shares for acquisition of an associate	56,800	-	(51,688)	-	5,112
Loss attributable to shareholders	-	-	-	(33,285)	(33,285)
At 31 December 2002	<u>573,500</u>	<u>103,257</u>	<u>(51,688)</u>	<u>(595,079)</u>	<u>29,990</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 31 December 2002*

	For the six months ended 31 December	
	2002	2001
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(13,435)	(6,147)
Net cash from (used in) investing activities	1,317	(5,573)
Net cash from financing activities	11,670	37,963
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(448)	26,243
Cash and cash equivalents at 1 July	(2,171)	(30,414)
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	(2,619)	(4,171)
	<hr/>	<hr/>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2002

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of investments properties.

In the opinion of the directors, the accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2002, except as described below.

SSAP 11:	Foreign currency translation
SSAP 15 (Revised):	Cash flow statements
SSAP 34:	Employee benefits

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. SEGMENT INFORMATION

Business segments

The Group is currently operating into two business segments, property investment and manufacturing and trading of equipment and accessories for broadband and cable television.

Turnover of the Group represents net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances and property rental income during the period.

3. SEGMENT INFORMATION (continued)

Segment information about these businesses is presented below:

Six months ended 31 December 2002

	Property Investment HK\$'000	Manufacturing and trading HK\$'000	Consolidated HK\$'000
Turnover	3,198	4,606	7,804
RESULTS			
Segment results	(11,903)	(3,376)	(15,279)
Unallocated corporate income			75
Unallocated corporate expenses			(8,232)
LOSS FROM OPERATIONS			(23,436)

Six months ended 31 December 2001

	Property Investment HK\$'000	Manufacturing and trading HK\$'000	Consolidated HK\$'000
Turnover	2,089	-	2,089
RESULTS			
Segment results	1,602	(110)	1,492
Unallocated corporate expenses			(12,930)
LOSS FROM OPERATIONS			(11,438)

Geographical segment

The following table provides an analysis of the Group sales by geographical market irrespective of the origin of the services:

	2002 HK\$'000	2001 HK\$'000
PRC, excluding Hong Kong	6,162	-
Hong Kong	1,642	2,089
	7,804	2,089

4. LOSS FROM OPERATIONS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Loss from operations has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration:	2,722	4,278
Depreciation and amortisation of property, plant and equipment	844	356

5. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the companies comprising the Group did not have any assessable profit for both periods.

The Group had no significant unprovided deferred taxation for the period or at the balance sheet date.

6. INTERIM DIVIDEND

The Board of Directors does not recommend to declare any interim dividend for the six months ended 31 December 2002 (2001: Nil).

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period of approximately HK\$33,285,000 (2001: HK\$26,872,000) and on the weighted average number of 2,568,771,233 (2001: 1,865,978,261) shares in issue throughout the period.

No diluted loss per share has been presented because the exercise of the Company's outstanding share options would have an anti-dilutive effect on loss per share for the six months ended 31 December 2002 and 2001.

8. MOVEMENTS IN INVESTMENT PROPERTIES

At 31 December 2002, the directors have considered the carrying amount of the Group's investment properties and have estimated that the carrying amount does not differ significantly from that would be determined using fair values at that date. Accordingly, the same valuation as at 30 June 2002 has been adopted by the directors for those properties and included in the interim financial report.

9. INTERESTS IN ASSOCIATES

On 12th August, 2002, an agreement was entered into by the Company, Prospect Technology Limited (“Prospect Technology”), a wholly-owned subsidiary of the Company, and Max Cyber Development Inc. (“Max Cyber”), a wholly-owned subsidiary of Goldbond Group Holdings Limited (formerly known as Can Do Holdings Limited), pursuant to which Max Cyber agreed to sell 24,500 shares of US\$1.00 each in Masterful Resources Limited (“Masterful Resources”), representing 49% of the issued share capital of Masterful Resources to Prospect Technology for a consideration of HK\$56,800,000, which was determined with reference to an independent valuation on Masterful Resources by an independent professional valuer in August 2002. The consideration was satisfied by the issue and allotment of 284,000,000 shares of the Company. There was no share quotation existed on 5 September 2002 and the fair value of the shares issued by the Company is estimated by reference to the latest closing price of HK\$0.018 per the Company's shares as quoted on the Stock Exchange prior to the suspension in trading of the Company's shares on the Stock Exchange. The transaction was completed in September 2002.

Masterful Resources was incorporated in the British Virgin Islands (the “BVI”) and was engaged in the development of Shipping-Info.com, a business-to-business web portal which aims to serve the shippers, forwarders, agents and carriers through the provision of network based services, via the internet, to the participants in the shipping and logistics in Hong Kong, Shanghai and Tianjin of the PRC. At the balance sheet date, Masterful Resources had become inactive.

At the balance sheet date, the Directors have reviewed the business of Masterful Resources. In view of the uncertainty regarding the profitability of the future operation of Masterful Resources, the directors determined that the recoverable amount from the business of Masterful Resources has declined below the carrying value of the goodwill. Accordingly, the carrying value of the goodwill has been reduced by approximately HK\$4,148,000 (2002: Nil) to reflect this impairment.

Subsequent to the balance sheet date, Masterful Resources was disposed of to a third party for a nominal consideration.

10. TRADE RECEIVABLES

The Group allows an average credit period of 30 days to 90 days to its trade customers. For rental income, payment in advance is normally required.

The aged analysis of trade receivable is stated as follows:

	31.12.2002 <i>HK\$'000</i>	30.6.2002 <i>HK\$'000</i>
0 to 60 days	2,325	1,152
61 to 90 days	61	126
Over 90 days	4,265	2,378
	<u>6,651</u>	<u>3,656</u>

11. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	31.12.2002 <i>HK\$'000</i>	30.6.2002 <i>HK\$'000</i>
0 to 60 days	205	635
61 to 90 days	149	146
Over 90 days	1,044	606
	<u>1,398</u>	<u>1,387</u>

12. BANK AND OTHER BORROWING

During the period, the Group obtained new bank and other loans in the amount of approximately HK\$15,497,000 and made repayment of approximately HK\$3,616,000. The new loans bear interest at prevailing market rates and repayable in one to five years.

13. CONTINGENT LIABILITIES

As at 31 December 2002, the Group had contingent liabilities in respect of the corporate guarantee to a former related company for securing its leasing facility amounting to approximately HK\$4.6 million (30 June 2002: HK\$4.6 million). The corporate guarantee was given with back-to-back guarantee by the former related company.

14. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Group with the following net book values have been pledged to secure borrowings granted to the Group:

	31.12.2002 HK\$'000	30.6.2002 <i>HK\$'000</i>
Investment properties	60,900	60,900
Properties held for sale	59,800	59,800
Leasehold land and buildings	647	880
	<u>121,347</u>	<u>121,580</u>

15. SHARE CAPITAL

	Number of ordinary shares <i>'000</i>	Amount <i>HK\$'000</i>
Authorised:		
At 1 July 2001	3,000,000	600,000
Increase in authorized share capital	<u>1,000,000</u>	<u>200,000</u>
At 31 December 2002	<u>4,000,000</u>	<u>800,000</u>
Issued and fully paid:		
At 1 July 2001	1,865,500	373,100
Issue of shares on exercise of share options	<u>22,000</u>	<u>4,400</u>
At 31 December 2001	1,887,500	377,500
Issue of shares on exercise of share options	16,000	3,200
Issue of shares for acquisition of other investment	<u>680,000</u>	<u>136,000</u>
At 30 June 2002	2,583,500	516,700
Issue of shares for acquisition of an associate (note i)	<u>284,000</u>	<u>56,800</u>
At 31 December 2002	<u>2,867,500</u>	<u>573,500</u>

Note:

- i In September 2002, 284,000,000 new shares of HK\$0.2 each of the Company were issued to an independent third party at par, representing a premium of 1,011% to the closing price of HK\$0.018 per the Company's shares as quoted on the Stock Exchange on 31 July 2002, the latest date prior to the suspension in trading of the Company's shares on the Stock Exchange, as the consideration for the acquisition of a 49% equity interest in an associate.

16. SHARE OPTION SCHEME

Share option scheme adopted in 1999

Pursuant to the share option scheme (the “1999 Scheme”) adopted by the Company on 19 July 1999, the board of directors of the Company may grant options to any directors, officers or employees of the Company or of any of its subsidiaries (the “Participants”) to subscribe for shares in the Company at any price which is not less than the nominal value of the shares nor 80% of the average closing price of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of the grant of the options. The maximum number of shares in respect of which options may be granted under the 1999 Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

Share option scheme adopted in 2002

On 25 July 2002, the share option scheme adopted by the Company on 19 July 1999 was terminated and replaced by a new share option scheme (the “2002 Scheme”) pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on the same day. In accordance with the 2002 Scheme, the board of directors of the Company may grant options to any employees, directors, shareholders, suppliers, customers of the Group and any other person or company who has contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company at any price which is at least the highest of (i) of the closing price of the shares of the Company on the date of the grant of the options; (ii) the average closing price of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of the grant of the options; and (iii) the nominal value of the shares of the Company. The maximum number of shares in respect of which options may be granted under the 2002 Scheme shall not exceed 10% of the shares in issue as at the adoption date of the 2002 Scheme or the date of approval by the shareholders in general meeting where the limit is refreshed. The total number of shares issued and to be issued upon exercise of the options granted to each eligible person under the 2002 Scheme in any twelve months period must not exceed 1% of the shares in issue at the date of such grant unless approved by the shareholders in general meeting.

No option has been granted since the adoption of the 2002 Scheme.

16. SHARE OPTION SCHEME (continued)

Details of the movements of the options under the 1999 Scheme during the period under review and the outstanding options at 31 December 2002 are as follows:

Exercise price HK\$	Month of grant	Number of options							
		Outstanding as at 1 July 2001	Granted during the year ended 30 June 2002	Exercised during the year ended 30 June 2002	Surrendered by option holders during the year ended 30 June 2002	Outstanding as at 1 July 2002	Granted during the period	Surrendered by option holders during the period	Outstanding as at 31 December 2002
0.200	June 2001	105,450,000	-	(18,000,000)	(1,150,000)	86,300,000	-	(24,000,000)	62,300,000
0.200	July 2001	-	61,100,000	(20,000,000)	(4,875,000)	36,225,000	-	(24,050,000)	12,175,000
0.202	May 2002	-	76,505,000	-	-	76,505,000	-	-	76,505,000
0.200	July 2002	-	-	-	-	-	15,520,000	-	15,520,000
		<u>105,450,000</u>	<u>137,605,000</u>	<u>(38,000,000)</u>	<u>(6,025,000)</u>	<u>199,030,000</u>	<u>15,520,000</u>	<u>(48,050,000)</u>	<u>166,500,000</u>

There was no exercise of share options during the period under review. The aggregate consideration received by the Company for share options granted under the 1999 Scheme during the period under review amounted to HK\$10.

17. CONNECTED TRANSACTIONS

During the interim reporting period, the Group had entered into transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

A corporation to which a director of 珠海再創通信技術有限公司 ("珠海再創"), a non-wholly owned subsidiary of the Company, had an interest and a director of 珠海再創 made advances to 珠海再創 for working capital purposes. The advances are unsecured and have no fixed repayment term and bear interest at approximately 0.53% per month. The Group accrued interest of approximately HK\$33,743 on such advances during the period.

18. POST BALANCE SHEET EVENTS

The following significant events occurred subsequent to the balance sheet date:

- (a) In February 2003, an agreement was entered into by Noble City (Asia) Limited (“Noble City”) and Konwide Development Limited (collectively the “Vendors”), wholly-owned subsidiaries of the Company, for the disposal of the entire issued share capital of World Giant Limited (“World Giant”) and its unsettled loans to independent third parties at a cash consideration of HK\$57 million, subsequent to the termination of the agreement for the disposal of the property held by World Giant on the same date. Details of the share disposal and the termination of the property disposal were published in the Company’s press announcement dated 3 March 2003. The share disposal was completed in March 2003.
- (b) On 30 August 2004, a provisional agreement was entered into between the Company and an independent third party under which that party agreed to subscribe for a convertible note in the principal amount of HK\$30 million to be issued by the Company. The convertible note gave the holder thereof the right to convert the principal amount into approximately 75% of the issued share capital of the Company following a proposed capital reduction exercise of the Company. On 26th August, 2004, the potential investor paid a refundable deposit of HK\$2.5 million to the Company in connection with the above proposed subscription. Another HK\$2.5 million deposit will be paid upon signing of the formal agreement. The above agreement is conditional upon, among other things, the relevant approvals being obtained from the High Court of Hong Kong, the relevant Hong Kong regulatory authorities and the Company’s shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Operation Review

The Group had the turnover of approximately HK\$7.8 million for the six months ended 31 December 2002 (2001: HK\$2.1 million), which was mainly attributable to the rental incomes from the investment properties and operations in trading and manufacturing media equipment and peripherals in the People's Republic of China (the "PRC").

Turnover from operations in trading and manufacturing media equipment and peripherals in the PRC was steady during the period under review. Such operations in the PRC had been successfully accredited the agency of technological products by several prestigious European, American and Japanese corporations in the PRC and was embarking a new business by provision of comprehensive after-sale services in various provinces in the PRC.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2002, the gearing ratio of the Group rapidly increased to 349% (30 June 2002: 160%). It was computed on the base of the aggregate interests bearing loans, which comprise of bank borrowings, loans, overdraft, other borrowings and obligations under hire purchase contracts and finance lease, divided by the amount of shareholders' equity.

As at 31 December 2002, the Group had short-term loans and overdraft facilities with banks and financial institutions approximately amounting to HK\$104 million (30 June 2002: HK\$93 million) and long-term borrowings approximately amounted to HK\$0.5 million (30 June 2002: HK\$0.2 million). The loans were at interests of prevailing commercial lending rates.

All of the Group's bank balances and borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi, risk in exchange rate fluctuation would be immaterial. Thus, the Group does not use any hedges.

During the period under review, the Company had issued, in total, 284,000,000 shares as the share consideration for the acquisition of an associated company.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Liquidity, Financial Resources and Capital Structure (continued)

Subsequent to the period under review, disposal of the entire issued share capital of World Giant and its unsettled loans to independent third parties generated to the Group a cash proceed of HK\$57 million. The cash proceed was mainly used for repayment of mortgaged loan. Short-term loans, amounting to approximately HK\$15 million in aggregate, were advanced to the Group by several independent third parties. The management believes such disposal and loans advancements would improve the Group's liquidity.

Other matters

There were no significant changes in the Group's employee remuneration and benefit policies, future plans, significant investment held, or charges on the Group's assets since the most recent published annual report. The management is not aware of any seasonal or cyclical factors that affect the interim results of the Group.

Prospects

The Mainland-Hong Kong Closer Economic Partnership Arrangement (CEPA) took effect on 1 January 2004. CEPA aims at attracting investments to and providing a preferential market in Hong Kong for easier access to markets either in the PRC or Hong Kong. Economic in Hong Kong is shown rebounding from the outbreak of the deadly SARS and blooming. The management is optimistic that the Group's rental incomes from the investment property would be going up gradually.

In view of the worldwide economic downturn, the Company had already sharpened its competitive edge. The Group will continuously adopt stringent cost control measures and strive to enhance the market penetration of the high technology products to generate plausible stable and recurring incomes to the Group. To well-diversify the business portfolio of the Group, the Group will explore any new emerging potential business for more steady incomes.

DIRECTORS' INTERESTS IN SECURITIES

Details of the Company's share option scheme are set out in Note 15 to the Condensed Financial Statements.

As at 31 December 2002, the following directors of the Company had personal interests in share options granted under the 1999 Scheme to subscribe for shares in the Company as follows:

Name of director	Number of Share Options Outstanding at 1 July 2002	Exercisable period	Exercisable price per share HK\$	Cancelled during the period	Number of Share Options Outstanding at 31 December 2002
Mr. Lu Liang	25,835,000	24 May 2002 to 23 May 2012	0.202	–	25,835,000
Mr. Li Zhao	1,000,000	29 June 2001 to 28 June 2011	0.2	–	1,000,000
	24,835,000	24 May 2002 to 23 May 2012	0.202	–	24,835,000
Ms. Huang Kai Chiun, Dorothy	1,000,000	11 July 2001 to 10 July 2011	0.2	1,000,000	–
Mr. Tsang Kar Tong	7,650,000	27 June 2001 to 26 June 2011	0.2	–	7,650,000

No share option was granted to or exercised by the directors during the six months ended 31 December 2002.

Mr. Lu Liang, a director of the Company, holds 50% equity interest in Etrade Century Limited, an associate of the Group.

Save as disclosed above, none of the directors or chief executives or their respective associates had any interests in any securities of the Company or any of its associated corporations under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as at 31 December 2002.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Other than the interests disclosed above in respect of the directors of the Company, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouse or children under the age of eighteen, to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, the Company had not been notified of any persons holding 10% or more of the issued share capital of the Company that was required to record under Section 16 of the SDI Ordinance.

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

There was no purchase, sale or redemption by the Company or its subsidiaries, of the Company's listed securities during the six months ended 31 December 2002.

COMPLIANCE WITH THE 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 of The Rules Governing The Listing of Securities on the Stock Exchange for any part of the six months ended 31 December 2002 except the delay in publishing the results.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed auditing, internal controls and financial report matters including a review of the unaudited interim accounts for the six months ended 31 December 2002.

By Order of the Board
eCyberChina Holdings Limited
NG YAN
Director

Hong Kong, 26 November 2004

As at the date of this report, the Board of Directors of the Company comprises four executive Directors, namely Mr. Lu Liang, Mr. Ng Yan, Mr. Tao Wei Ming and Mr. Tsang Kar Tong, and three Independent Non-executive Directors, namely Mr. Cheng Sheung Hing, Mr. Cheng Kwong Choi, Alexander and Ms Lyn Yee Chen, Jean.