

Interim Report 2007



eCyberChina Holdings Limited
光訊控股集團有限公司

(Incorporated in Hong Kong with limited liability) (Stock Code: 254)

RESULTS

The Board of Directors of eCyberChina Holdings Limited (the “Company”) hereby presents the unaudited consolidated interim financial report of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2006 (the “Current Period”).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2006

	Notes	For the six months ended 31 December	
		2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Turnover	3	5,744	3,936
Direct costs		<u>(5,680)</u>	<u>(1,150)</u>
Gross profit		64	2,786
Other operating income		1,337	17,659
Reversal of write-down related to properties held for sale		264	–
Surplus on revaluation of investment properties		–	4,114
Gain (loss) on investments		(1,312)	–
Loss on settlement and disposal of properties held for sale		–	(30,084)
Allowance for bad and doubtful debts and obsolete stocks		–	(49)
Administrative and operating expenses		<u>(3,528)</u>	<u>(7,338)</u>
Loss from operations	4	(3,175)	(12,912)
Finance costs		<u>(2,527)</u>	<u>(5,504)</u>
Loss attributable to shareholders		<u>(5,702)</u>	<u>(18,416)</u>
Loss per share			
Basic	7	<u>(HK\$0.002)</u>	<u>(HK\$0.006)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2006

		31.12.2006 (unaudited) HK\$'000	30.6.2006 (audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		<u>269</u>	<u>318</u>
		269	318
CURRENT ASSETS			
Properties held for sale	8	13,636	18,450
Financial assets		3,794	10,978
Other receivables		16,271	482
Bank balances and cash		<u>1,636</u>	<u>17,263</u>
		35,338	47,173
CURRENT LIABILITIES			
Financial liabilities		—	871
Other payables	9	4,238	4,605
Obligations under finance leases		—	7
Other loans	10	<u>1,523</u>	<u>1,523</u>
		5,761	7,006
NET CURRENT ASSETS		29,509	40,167
TOTAL ASSETS LESS CURRENT LIABILITIES		29,846	40,485
NON-CURRENT LIABILITIES			
Other payables	9	6,844	11,781
Bank and other loans	10	<u>21,420</u>	<u>21,420</u>
		28,264	33,201
NET ASSETS		1,582	7,284
CAPITAL AND RESERVES			
Share capital	11	573,500	573,500
Reserves		<u>(571,918)</u>	<u>(566,216)</u>
TOTAL EQUITY		1,582	7,284

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2006

	Share Capital HK\$'000	Share Premium HK\$'000	Other Accumulated Losses HK\$'000	Total HK\$'000
At 1 July 2005 (Audited)	573,000	103,257	(645,478)	31,279
Loss attributable to shareholders	—	—	(18,416)	(18,416)
At 31 December 2005 (Unaudited)	573,000	103,257	(663,894)	12,863
Loss attributable to shareholders	—	—	(5,579)	(5,579)
At 30 June 2006 (Audited)	573,000	103,257	(669,473)	7,284
Loss attributable to shareholders	—	—	(5,702)	(5,702)
At 31 December 2006 (Unaudited)	573,000	103,257	(675,175)	1,582

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2006

	For the six months ended 31 December	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Net cash used in operating activities	(21,933)	458
Net cash (used in) from investing activities	(7)	(9)
Net cash from financing activities	—	—
Net increase in cash and cash equivalents	(21,940)	449
Cash and cash equivalents at 1 July	27,370	455
Cash and cash equivalents at 31 December	5,430	904

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2006

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). However, the trading of the Company's shares on the Stock Exchange has been suspended since 30 June 2003. On 11 August 2004, the Company has been put into the third stage of delisting procedures in accordance with Practice Note 17 to the Listing Rules on the same day. It was further announced that the Company was given a final six months for the submission of a valid resumption proposal to the Stock Exchange, i.e. by 10 February 2005. The Company submitted the Resumption Proposal on 27 January 2005. The Listing Committee decided on 17 March 2005 that the Resumption Proposal was not a valid proposal and the listing of the Securities should be cancelled. The Company requested for a review of the decision of the Listing Committee. At the review hearing held on 26 October 2005, the Listing (Review) Committee of the Stock Exchange upheld the decision of the Listing Committee of 17 March 2005 that the Resumption Proposal was not a valid resumption proposal.

The Company made an applications to appeal against the decision of the Listing (Review) Committee and submitted a revised Resumption Proposal to the Stock Exchange on 3 April 2006.

The revised Resumption Proposal at that time would entail the following:

- (i) a capital reorganization involving a consolidation and reduction of share capital of the Company; and
- (ii) a licensed broker underwriting a right issue in the sum of HK\$100 million so that the Company would have a strong cash flow to develop its businesses.

The Listing Appeals Committee heard the appeal on 20 April 2006 but had not made any decision. As the then Chairman of the Listing Appeals Committee had retired, the Company applied for a fresh hearing in relation to the appeal which was held on 9 March 2007 (the "Review Hearing"). The Company made submission for the Review Hearing to the Listing Appeals Committee and updated the Listing Appeals Committee with the recent events of the Company including the Transaction in relation to a wholly owned subsidiary of the Company, First Union Limited (FUL), acquiring a shopping arcade in Inner Mongolia, the Irrevocable Guarantee and the Supplementary Agreement in which the Vendor agreed to grant the FUL, a first right of refusal for FUL to jointly develop a property project on the Land together with the Vendor.

1. GENERAL INFORMATION (continued)

The Listing Appeals Committee gave its decision on 12 March 2007. It concurred with the decisions of the Listing Committee and the Listing (Review) Committee that the Resumption Proposal was not a valid resumption proposal. Nevertheless, having considered all submissions (both written and oral) presented by the Company for the purposes of the Review Hearing, the Appeals Committee allowed the revised Resumption Proposal (as supplemented by subsequent submissions) to proceed subject to compliance with the following conditions within 6 months from 12 March 2007:

- (1) shareholders' approval being obtained for the Transaction;
- (2) completion of the Transaction by the Company;
- (3) completion of the proposed fund raising exercise by the Company to yield HK\$100 million (net); and
- (4) entering into a service contract between the Company and its director, Mr. David Lee, for a term of not less than 2 years.

In the event that the Company is unable to satisfy any of the above conditions, the Stock Exchange will proceed to cancel the listing of the Company's securities. The Listing Division of the Stock Exchange may at its own absolute discretion extend the deadline for the Company to satisfy the conditions set out above in the event of unforeseen circumstances.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited 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 "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed financial statements have been prepared under the historical cost basis, except for certain properties, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2006.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

HKICPA has issued a number of new standards, amendments to standards and interpretations that are effective for accounting periods beginning on or after 1 January 2006. The Group has carried out an assessment of these standards, amendments and interpretations and considered that they have no significant impact on these unaudited condensed interim financial statements.

The Group has not early adopted the standards and interpretations that have been issued but are not yet effective. The adoption of such standards will not result in substantial changes to the Group's accounting policies.

3. SEGMENT INFORMATION

Business segments

Since the property in Hong Kong was sold and completed in May 2006, and discontinued the business of manufacturing and trading of equipment and accessories for boardband and cable television in January 2006, the Group is only operating property investment in PRC.

Turnover of the Group represents net amounts received and receivable for the sale of properties and rental income generated from the properties in PRC during the period.

4. LOSS FROM OPERATIONS

	For the six months ended 31 December	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Loss from operations has been arrived at after charging:		
Allowance for bad and doubtful debts and obsolete stocks	–	49
Staff costs, including directors' remuneration	530	1,000
Depreciation and amortisation of property, plant and Equipment	49	58
	<u>49</u>	<u>58</u>

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 the current and the past periods.

6. INTERIM DIVIDEND

The Board of Directors does not recommend to declare any interim dividend for the six months ended 31 December 2006 (2005: Nil).

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period of approximately HK\$5,702,038 (2005: HK\$18,416,386) and on the weighted average number of 2,867,500,000 (2005: 2,867,500,000) shares in issue throughout the period.

No diluted loss per share has been presented because the trading of the Company's shares on the Stock Exchange has been suspended since 30 June 2003 and there is no market price of the Company's shares during the six months ended 31 December 2006 and 31 December 2005 and the Directors considered there is no appropriate basis to ascertain the fair value of the Company's shares.

8. PROPERTIES HELD FOR SALE

	THE GROUP	
	31.12.2006 (unaudited) HK\$'000	30.06.2006 (audited) HK\$'000
Properties held for sale at net realisable value in PRC	13,636	19,722

9. OTHER PAYABLES

	31.12.2006 (unaudited) HK\$'000	30.6.2006 (audited) HK\$'000
Amount due for payment:		
Within 1 year	4,238	4,605
After 1 year within 5 years	6,844	11,781
	11,082	16,386

10. OTHER LOANS

	31.12.2006 (unaudited) HK\$'000	30.6.2006 (audited) HK\$'000
Amount due for payment:		
Within 1 year	1,523	1,523
After 1 year but within 5 years	21,420	21,420
	<u>22,943</u>	<u>22,943</u>

These loans are unsecured.

11. SHARE CAPITAL

	Number of ordinary shares '000	Amount HK\$'000
Authorised:		
At 1 July 2006 and 31 December 2006	<u>4,000,000</u>	<u>800,000</u>
Issued and fully paid:		
At 1 July 2006 and 31 December 2006	<u>2,867,500</u>	<u>573,500</u>

12. 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.

12. SHARE OPTION SCHEME (continued)

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.

Details of the movements of the options under the 1999 Scheme during the period under review and the outstanding options at 31 December 2005 are as follows:

Exercise Price HK\$	Month of grant	Number of options					
		Outstanding as at 1 July 2003	Granted during the year ended 30 June 2004	Surrendered by Option holders during the year ended 30 June 2004	Outstanding as at 30 June 2004	Surrendered by Option holders during the year ended 30 June 2005	Outstanding as at 31 December 2005
0.200	July 2001	100,000	-	-	100,000	-	100,000
0.202	May 2002	25,835,000	-	-	25,835,000	-	25,835,000
		<u>25,935,000</u>	<u>-</u>	<u>-</u>	<u>25,935,000</u>	<u>-</u>	<u>25,935,000</u>

There was no exercise, nor surrender of share options during the period under review.

12. SHARE OPTION SCHEME (continued)

Details of the share options held by Directors under the 1999 Scheme included in the above table are as follows:

Exercise price <i>HK\$</i>	Month of grant	Outstanding as at 30 June 2006 and 31 December 2006
0.202	May 2002	25,835,000

Details of the specific categories of options under the 1999 Scheme are as follows:

Exercise price <i>HK\$</i>	Month of grant	Exercise period
0.200	July 2001	11/07/2001 to 10/07/2011
0.202	May 2002	24/05/2002 to 23/05/2012

13. POST BALANCE SHEET EVENTS

On 5 March 2007, the Company's wholly owned subsidiary, First Union Limited (FUL), entered into a Sale and Purchase Agreement with the Vendor to purchase a shopping arcade in Huhehaote, Inner Mongolia at the consideration of RMB58 million. The Parties also entered into a supplemental agreement in which the Vendor agreed to grant FUL a first right of refusal for FUL to jointly develop a property project on the Land together with the Vendor.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Operation Review

The turnover of the Group for the six months ended 31 December 2006 was HK\$5.7 million (2005: HK\$3.9 million). The rental income generated from the investment properties was HK\$0.59 million (2005: HK\$1.8 million), and sales of properties held for sale was HK\$5.1 million (2005: Nil).

Liquidity, Financial Resources and Capital Structure

As at 31 December 2006, the gearing ratio of the Group was 3.7%, same as at 30 June 2006. It was computed on the basis of the aggregate interests bearing loans divided by the issued capital.

All banks and mortgage loans were repaid when the sale transaction of Wu Chung House was completed in May 2006. There is no bank and mortgage at the end of period.

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

Prospects

The management has been making efforts to explore new business opportunities in China, to generate steady income for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Prospects (continued)

On 5 March 2007, the Company's wholly owned subsidiary, First Union Limited (FUL), entered into a Sale and Purchase Agreement with the Vendor to purchase a shopping arcade in Huhehaote, Inner Mongolia at the consideration of RMB58 million. The construction area of the shopping arcade is about 19,831 square meters, and will generate over RMB9 million of rental income a year for the Company. The Parties also entered into a supplemental agreement in which the Vendor agreed to grant FUL a first right of refusal for FUL to jointly develop a property project on the Land together with the Vendor.

The property project is a large scale residential complex together with commercial buildings which will provide in total of construction area of 172,800 square meters of which 28,100 square meters is for commercial purpose. If this project became reality, it will bring millions dollars of revenue and profits to the Group. There are two similar projects being negotiated.

The management believes that the successful of resumption of Company listing status on Stock Exchange will further strengthen the Company's position.

DIRECTORS' INTERESTS IN SECURITIES

Details of the Company's share option scheme are set out in Note 13 to the Condensed Consolidated Financial Statements.

As at 31 December 2006, 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 2006	Exercisable period	Exercisable price per share HK\$	Number of Share Options Outstanding at 31 December 2006
Mr. Lu Liang	25,835,000	24 May 2002 to 23 May 2012	0.202	25,835,000



DIRECTORS' INTERESTS IN SECURITIES (continued)

No share option was granted to, exercised or surrendered by the directors of the Company during the six months ended 31 December 2006.

Save as disclosed above, none of directors, chief executives nor their associates, had any interests or short positions in any shares, underlying shares or rights to subscribe for the securities of the Company as at 31 December 2006.

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

At 31 December 2006, the register of substantial shareholders maintained by the Company under Part XV of the Securities and Futures Ordinance showed that the following persons had an interest of 5% or more in the Company's issued share capital:

Name of shareholder	Note	Number of ordinary shares of the Company held		Percentage of shareholding
		Direct interest	Deemed interest	
Ventures Victory Limited		227,325,000		7.93%
East Marton Group Limited		275,928,500		9.62%
KG Investments Holdings Limited	1	275,928,500		9.62%
Absolute Rich Assets Limited ("Absolute Rich")	2	99,830,000		3.48%
Precise Time International Limited ("Precise Time")	2	61,880,000		2.16%
Success Pacific Enterprises Limited ("Success")	2	99,830,000		3.48%
Mr. Li Jian Min	2		261,540,000	9.12%
Ambang Jaya Sdn. Bhd. ("Ambang")	3	166,615,000		5.81%
Angkasa Marketing (Singapore) Pte Limited ("Angkasa")	3	75,000,000		2.62%
Amsteel Corporation Berhad ("Amsteel")	3		241,615,000	8.43%
Mr. Cheng Heng Jem	4		241,615,000	8.43%
ATNT Global Investments Co. Limited ("ATNT Global")	5	180,030,000		6.28%
Asia Tele-net and Technology Corporation Limited ("Asia Tele-net")	5		180,030,000	6.28%
Cyber Relationship Limited ("Cyber")	6	175,000,000		6.10%
China National Real Estate Development Group Company	6		175,000,000	6.10%
Kargill High Growth Fund		165,000,000		5.75%

SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

1. KG Investments Holdings Limited is deemed to be interested in the Company's shares held by Global Treasure Investments Limited, its indirect subsidiary, by means of holding indirect and direct controlling interests in KGI International Holdings Limited and KGI Limited.
2. Mr. Li Jian Min is deemed to be interested in the Company's shares in which Absolute Rich, Precise Time and Success are interested.
3. Ambang and Angkasa are wholly-owned subsidiaries of Amsteel which is deemed to be interested in those shares of the Company beneficially owned by Ambang and Angkasa respectively.
4. Mr. Cheng Heng Jem is deemed to be interested in the Company's shares in which Amsteel is interested.
5. ATNT Global is a wholly-owned subsidiary of Asia Tele-net which is deemed to be interested in those shares of the Company beneficially owned by ATNT Global.
6. Cyber is a wholly-owned subsidiary of China National Real Estate Development Group Company which is deemed to be interested in those shares of the Company beneficially owned by Cyber.

Save as disclosed above, the Company has not been notified of any other interests representing 5% or more of the issued share capital of the Company at 31 December 2006.

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 2006.

CORPORATE GOVERNANCE

Pursuant to the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rule”), an audit committee has been established by the Company since 31 December 2005 to review and supervise the Group’s financial reporting process and internal controls. The current members of the Audit Committee are the three independent non-executive directors, Mr. Cheng Sheung Hing, Mr. Cheng Kwong Choi, Alexander and Mr. Law Tai Yan. The interim results for the period ended 31 December 2006 have been reviewed by the Audit Committee.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the period ended 31 December 2005 with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules. In the opinion of the Directors, the Company has complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), throughout the reporting period, except the following deviations:

The independent non-executive directors of the Company are not appointed for specific terms as required by the Code, but are subject to retirement by rotation in accordance with the Company’s articles of association. (Code Provision A.4.1)

AUDIT COMMITTEE

In accordance with the Appendix 14 of the Listing Rules, the Directors established an Audit Committee since 2004 and the Audit Committee currently comprises three independent non-executive directors. 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 interim financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 31 December 2006.

REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company on 20 December 2005, in accordance with the requirement of the Code. The Remuneration Committee, comprising an executive director, Mr. Ho Chi Wing and two independent non-executive directors, namely, Mr. Cheng Kwong Choi, Alexander and Mr. Law Tai Yan is held at least once a year. The principal responsibilities of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive director and members of the Senior Management. Remuneration and the employment contracts of new appointing directors have to be reviewed and approved by the Remuneration Committee. Compensation of removal or dismissal of directors has to be reviewed and approved by the Remuneration Committee in accordance with relevant contractual terms and any compensation payment is otherwise reasonable and appropriate.

By Order of the Board
eCyberChina Holdings Limited
HO CHI WING
Director

Hong Kong, 28 March 2007

As at the date of this report, the Board of Directors of the Company comprises five Executive Directors, namely Mr. Lee Tsung Hei David Chris, Mr. Ho Chi Wing, Mr. Lu Liang, Mr. Ng Yan and Mr. Tao Wei Ming and three Independent Non-executive Directors, namely Mr. Cheng Sheung Hing, Mr. Cheng Kwong Choi, Alexander and Mr. Law Tai Yan.

CORPORATE INFORMATION

DIRECTORS

LEE Tsung Hei, David Chris
HO Chi Wing
LU Liang
NG Yan
TAO Wei Ming
CHENG Kwong Choi, Alexander*
CHENG Sheung Hing*
LAW Tai Yan*

* *Independent Non-executive Directors*

COMPANY SECRETARY

LO Kin Chung

REGISTERED OFFICE

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SOLICITORS

Angela Ho & Associates, Solicitors
Liu Chan and Lam
Solicitors & Notaries

PRINCIPAL BANKERS

China Construction Bank (Asia) Ltd.
Wing Lung Bank Limited
Bank of China (HK) Limited

SHARE REGISTRARS

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