



hkcyber.com (Holdings) Limited
Cyber 日報 (控股) 有限公司*
(Incorporated in the Cayman Islands with limited liability)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2001

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This announcement, for which the directors of hkcyber.com (Holdings) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to hkcyber.com (Holdings) Limited. The directors of hkcyber.com (Holdings) Limited having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INTRODUCTION

On behalf of the board of directors (the “Board”) of hkcyber.com (Holdings) Limited (the “Company”) and together with its subsidiaries, (the “Group”), I would like to announce the audited consolidated results of the Company for the year ended 31 March 2001.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2001

		1.4.2000 to 31.3.2001 HK\$	2.2.1999 to 31.3.2000 HK\$
	<i>Notes</i>		
Turnover	2	11,396,022	–
Other revenue	3	4,249,643	10,031
Website development expenses		(72,825,977)	(10,292,239)
Advertising and promotion expenses		(16,461,486)	(4,504,398)
General and administrative expenses		(13,525,165)	(5,158,468)
Loss from operations	4	(87,166,963)	(19,945,074)
Finance costs		(107,448)	(73)
Loss on partial disposal of a subsidiary		(312)	–
Loss before taxation		(87,274,723)	(19,945,147)
Taxation	6	–	–
Loss before minority interest		(87,274,723)	(19,945,147)
Minority interest		312	–
Net loss for the year/period		(87,274,411)	(19,945,147)
Dividend	7	(672,877)	–
		(87,947,288)	(19,945,147)
Loss per share			
Basic	8	7.12 cents	1.99 cents

There were no recognised gains or losses other than the net loss for the year/period.

Notes:

1. GROUP REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated on 14 April 2000 as an exempted company with limited liability under the Companies Law (Revised) of Cayman Islands.

Pursuant to a group reorganisation (the “Group Reorganisation”) to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) in preparation for the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company issued shares in exchange for the entire issued share capital of HKCyber Limited (“HKCYBER”) and thereby became the holding company of the Group on 17 July 2000. Details of the Group Reorganisation and the new issue and placing of shares of the Company (the “New Issue and Placing”) are set out in the prospectus dated 21 July 2000 (the “Prospectus”) issued by the Company.

The shares of the Company have been listed on the GEM of the Stock Exchange with effect from 31 July 2000.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared on a merger accounting basis as if the Company had always been the holding company of the Group in accordance with the Statement of Standard Accounting Practice No. 27 “Accounting for group reconstructions” issued by the Hong Kong Society of Accountants.

The results for the current period cover the 12 month period ended 31 March 2001. The corresponding amounts shown for the income statement and related notes cover the period from 2 February 1999 to 31 March 2000, and therefore may not be comparable with amounts shown for the current year.

2. TURNOVER

1.4.2000	2.2.1999
to	to
31.3.2001	31.3.2000
HK\$	HK\$

The Group’s turnover comprises:

Advertising income net of agency deductions	8,183,362	–
Sales of goods	1,912,882	–
Services income	1,299,778	–
	11,396,022	–

3. OTHER REVENUE

	1.4.2000 to 31.3.2001 HK\$	2.2.1999 to 31.3.2000 HK\$
Interest income on bank deposits	2,340,534	31
Other interest income	924,178	–
Sundry income	984,931	10,000
	<u>4,249,643</u>	<u>10,031</u>

4. LOSS FROM OPERATIONS

	1.4.2000 to 31.3.2001 HK\$	2.2.1999 to 31.3.2000 HK\$
Loss from operations has been arrived at after charging:		
Amortisation of intangible assets	6,587,050	5,428
Auditors' remuneration	454,200	106,000
Bad debts written off	555,207	–
Depreciation of property, plant and equipment	5,086,214	290,356
Rental expenses under operating leases on		
– premises	1,519,955	236,948
– equipment	3,887,800	–
Staff costs, including directors' emoluments	<u>37,864,926</u>	<u>8,551,299</u>

5. DIRECTORS' EMOLUMENTS

There were three directors who received emoluments of approximately HK\$2,669,000, HK\$627,000 and HK\$440,000 respectively for the year ended 31 March 2001 and approximately HK\$1,320,000, HK\$210,000 and HK\$150,000 respectively for the period from 2 February 1999 to 31 March 2000. The other directors did not receive any emoluments during the year/period.

During the year/period, no emoluments were paid by the Group to the directors as a discretionary bonus or an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director had waived or agreed to waive any remuneration.

6. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries have no assessable income for the year/period.

7. DIVIDEND

	1.4.2000 to 31.3.2001 HK\$	2.2.1999 to 31.3.2000 HK\$
2% convertible cumulative preference shares	<u>672,877</u>	<u>–</u>

The 2% convertible cumulative preference shares of the Company (the “Preference Shares”) confer upon the holders the right to receive, in priority to the holders of any other class of shares in the capital of the Company, a dividend of 2%.

The dividend shall be cumulative and payable yearly in arrears on 31 March in each year, shall accrue from day to day and shall be calculated on the basis of the actual number of days that lapsed in a year of 365 days. The first dividend shall be payable on 31 March 2002.

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$87,947,288 (2.2.1999 to 31.3.2000: HK\$19,945,147) and the weighted average number of 1,235,431,439 shares (2.2.1999 to 31.3.2000: 1,000,000,000 shares) in issue during the year/period.

No diluted loss per share has been presented as the exercise of the potential ordinary shares would not have dilutive effect on the loss per share.

The 1,000,000,000 shares issued prior to the listing of the Company’s shares on the GEM of the Stock Exchange are treated as if they had been outstanding throughout the year/period.

9. SHARE PREMIUM AND RESERVES

	Share premium of the Company HK\$	Share premium of HKCYBER HK\$	Merger reserve HK\$	Accumulated (losses) profits HK\$	Total HK\$
THE GROUP					
Shares of HKCYBER issued at premium	–	52,997,006	–	–	52,997,006
Loss for the period	–	–	–	(19,945,147)	(19,945,147)
Balance at 31 March 2000	–	52,997,006	–	(19,945,147)	33,051,859
Transfer of share premium to merger reserve as a result of the Group Reorganisation	–	(52,997,006)	52,997,006	–	–
Merger reserve arising upon the Group Reorganisation	–	–	24,951	–	24,951
Shares issued at premium	157,500,000	–	–	–	157,500,000
Expenses incurred in connection with the New Issue and Placing	(14,129,963)	–	–	–	(14,129,963)
Allotment under the Pre-IPO Issue	(49,997,333)	–	–	–	(49,997,333)
Conversion of the Preference Shares into ordinary shares	(18,749,950)	–	–	–	(18,749,950)
Loss for the year	–	–	–	(87,274,411)	(87,274,411)
Dividend (note 7)	–	–	–	(672,877)	(672,877)
Balance at 31 March 2001	74,622,754	–	53,021,957	(107,892,435)	19,752,276
THE COMPANY					
Merger reserve arising upon the Group Reorganisation	–	–	53,021,957	–	53,021,957
Shares issued at premium	157,500,000	–	–	–	157,500,000
Expenses incurred in connection with the New Issue and Placing	(14,129,963)	–	–	–	(14,129,963)
Allotment under the Pre-IPO Issue	(49,997,333)	–	–	–	(49,997,333)
Conversion of the Preference Shares into ordinary shares	(18,749,950)	–	–	–	(18,749,950)
Profit for the period	–	–	–	824,316	824,316
Dividend (note 7)	–	–	–	(672,877)	(672,877)
Balance at 31 March 2001	74,622,754	–	53,021,957	151,439	127,796,150

Merger reserve of the Group represents the difference between the share capital and share premium of HKCYBER whose shares were exchanged for the Company's shares and the nominal amount of share capital issued by the Company pursuant to the Group Reorganisation.

Merger reserve of the Company represents the difference between the consolidated shareholders' funds of HKCYBER and the nominal amount of the issued share capital of the Company's shares which were issued for the acquisition of HKCYBER and its subsidiaries pursuant to the Group Reorganisation.

The Company's reserves available for distribution comprise share premium, merger reserve and accumulated profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of a company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend the company is able to pay its debts as they fall due in the ordinary course of business. In the opinion of the directors of the Company, the Company had HK\$127,796,150 reserves available for distribution at 31 March 2001.

DIVIDEND

The Board has decided not to recommend the payment of a final dividend for the year ended 31 March 2001 in order to reserve financial resources for future business development.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results

The Group was established in 1999, experiencing a development stage which involved substantial investment on infrastructure, professional talents and brand awareness campaigns. During the year under review, the Group reported a turnover of HK\$11,396,022. During its first year of operation, the Group recorded a loss attributable to shareholders amounting to HK\$87,274,411. Basic loss per share was 7.12 HK cents.

Business Review

hkcyber.com is poised to play a leading role among the Chinese content providers as well as providing comprehensive and updated content through attractive web design and interactive features. The Group was successfully listed on the GEM on 31 July 2000. The listing exercise marks a new chapter for the Group since its establishment in February 1999. With the funds raised, the Group has sufficient financial resources to accomplish its company mission to provide multimedia and interactive content as well as to offer customers total solutions for on-line marketing which range from website and store-front design, technical support and the formulation of marketing and communication packages.

In view of the increasing popularity of the internet, viewers are looking for instant and easy access to information channels. Accurate and expeditious information such as news, finance, leisure and sports etc will become a basic necessity in our daily lives. The Group aims to capitalise on the internet boom through the provision of informative, interesting and interactive information to the global Chinese market.

However, the internet related industry is confronting with keen competition from the blossoming of a number of industry players. As a result, the market underwent a period of consolidation and many marginal firms ceased operations. Despite the poor operating environment in the year under review, the Group is still optimistic about the huge market potential in the Asian internet market, especially among overseas Chinese who can access on the spot information via the internet.

Content Development

The content provided by hkcyber.com is categorised into topics, namely news, commentary, entertainment, racing, sports, finance, fortune, food, chatroom, property and Cyber bookshop. Currently the Group is hosting 11 channels and 7 portals which provide comprehensive coverage of events and the hottest topics in town. Live programmes range from news and talk shows to leisure and lifestyle, broadcast from morning to mid-night every day.

hkcyber.com received the “Best AV Site” award, the “10 Best Local Web Site” award and the “Hong Kong eAward: Design & Innovative Award” from Commercial Radio Hong Kong, Webmasters (Hong Kong) Association Limited and the Hong Kong Productivity Council in 2000. These awards reaffirm the Group’s commitment in website design and content provision.

Providing updated information and interesting content are the primary focuses of hkcyber.com. The introduction of on-line games under “Skygames” and the broadcasting of movies through the “Cyber Movie” portal are value added products which demonstrate the Group’s efforts to enrich its content with reference to viewers’ preferences. Leveraging its strong capability in content provision, the Group is able to generate content which is updated regularly with its own in house capabilities.

Most of the programmes are produced by the Group’s in house content team. It is one of the Group’s strategies to invite celebrities or authoritative figures in their respective fields to host the relevant web pages or live programmes.

Building upon its extensive coverage, the Group has always maintained a solid viewer base with average hit rates of 9 million and page views of 3 million per day for the year ended 31 March 2001.

Technical Development

The Group has invested HK\$69 million on infrastructure which is necessary to maintain and enhance the content and services provided by the Group. With sufficient technical back up in terms of computer hardware and software and technical talent, the Group is able to handle the ever-increasing traffic.

With over 100 servers, storage capacity has been enlarged to support content development and content provision to viewers and corporate clients. The Group is able to handle large scale web mail with 100MB for 100,000 members per day.

Brand Building

The vision and commitment within the internet industry has motivated the Group to devote massive resources to create brand awareness in the early stages of entry. For the year ended 31 March 2001, the Group invested HK\$16 million on brand building in order to raise brand recognition in this highly competitive industry.

During the year under review, the Group has sponsored the Ocean Park Conservation Foundation Charity Ball, Skyauction roadshow and the CyberDaily Oscar Golf League. The intensive marketing and promotional campaigns have successfully gained the group a reputation for innovation among viewers and corporate clients.

As overseas viewers treasure real-time news and information in Chinese, the Group conducted roadshows in San Francisco, Los Angeles, New York, Taiwan and Singapore in July 2000 to promote the company's profile and build the strength of its brand in the global Chinese market.

The Group has continued advertising in selective media to gain maximum benefits as well as to complement its business development. In November it organised a history quiz on the East Zhou Dynasty, aiming to boost the viewing rate of "Cyber TV". The series marketing events have successfully raised the recognition of hkcyber.com.

E-Commerce and Services Development

Taking advantage of established brand recognition and the increasing number of viewers, the Group launched its e-Mall in July 2000. As a result of parallel expansion strategies, the launch also serves the purpose of enriching content, providing comprehensive services and creating an additional revenue stream for the Group.

For the year ended 31 March 2001, the Group established an e-Mall which has receiving an overwhelming response. The virtual e-Mall provide a wide selection of jewellery, health food to on-line games. Given the substantial growth of the internet in our daily lives, the Group expects that more and more operators will be attracted the e-Mall which has unlimited and exciting choices for hkcyber.com's viewers.

The Group's information technology team has successfully developed corporate websites for corporate clients such as NEC Hong Kong Ltd. and Global Textiles Ltd. during the year under review.

In addition to the corporate website, a wedding website was constructed and launched in November for brides and bridegrooms to share their happiness and joyful memories with their friends and relatives.

Advertising

Advertising is one of the most effective ways to promote goods and service to a target group. At hkcyber.com, viewers are exposed to interesting and interactive advertisements in the form of banner advertisements, button advertisements and sponsorship or co-branded advertisements and full-screen advertisements. The internet offers unique promotional means in comparison to traditional advertising channels which only have plain text and still photos.

Complementing the e-Mall and advertising business, the Group also provides one-stop services to merchants and advertisers, including design, technical support on hardware and software and the formulation of marketing strategies. With useful information and statistics generated from viewers, the Group is able to assist merchants and advertisers in preparing tailor-made marketing and communication solutions which perfectly match the needs of their target audience. The e-marketing team of the Group works closely with merchants and advertisers to enhance the effectiveness of their marketing campaigns.

For the year ended 31 March 2001, the Group generated stable revenue from this business. Prominent clients include Cable & Wireless HKT IMS Ltd., Smartone Mobile Communications Ltd. and Hewlett Packard Hong Kong Limited. The Group also carried out promotional

campaigns for Citibank International, Legend Expert Systems Ltd. and Xin Khaun Restaurant during the year under review.

Content Licensing

The Group licenses its content to WAP users who are registered under Hutchison's mobile phone network since May 2000. WAP users can access information such as news and entertainment. The exclusive information provided to Hutchison's WAP users further attracts and retains a loyal viewer base for the Group. The Group also licenses its live programmes to other content providers including iTV Broadcasting and i-care.

In pursuing excellence in production, the Group has invested substantially in advanced equipment to strengthen the capability of its audio and video team. Encouraged by the continuous inflow of licensing contracts during the review period, the Group expects to capture many opportunities in this burgeoning market.

Prospects

In keeping with the explosive growth of e-commerce and use of the internet as a basic tool, the Group is committed to positioning itself as a leading Chinese content provider. To fully capture the benefits of its established brand awareness, the Group is committed to further enriching its content to include more diverse and prompt news and information in the year to come.

To further sharpen its competitive strengths, the Group will adopt stringent cost controlling measures that will ensure maximum benefits to the Group. Capitalising on existing brand recognition, the Group will focus on selected promotional channels campaigns for its target audiences which will ensure maximum benefits in accordance to the Group's marketing needs.

In addition, the Group will continue the streamline processes and reduce superfluous hardware to enhance operational efficiencies as well as reducing operating overheads. The financial position can thus be further strengthened.

With the increasing trend around the world to connect to the internet, the Group is ready to set up mirror site in Canada which has large Chinese speaking audiences. The set up of mirror site will enable the Group to provide its rich content and services to overseas viewers both in a quality and timely manner.

In view of the increasing demand for quality content from overseas viewers, the Group plans to charge a monthly subscription fee from overseas viewers. The Directors believe that overseas viewers are willing to pay for Chinese language content which provide convenient access and real time reports.

It is extremely encouraging that the SAR Government is granting the legal status to on-line content providers for the publishing of legal announcement advertisements on the web. This demonstrates recognition of the development and the advantages of the internet which can broadcast public information so promptly. The Group is pleased to be one of the first on-line content providers to obtain this right. This is not only because the grant recognises the popularity of hkcyber.com, but also because it creates a revenue stream for the Group.

Looking into future, the Group will realise its vision to provide comprehensive local and international content covering informative, interesting and interactive topics to the global Chinese market. In order to fully utilise the resources and expand the revenue base, the Directors are considering to expand its business scope to the publishing of newspaper. With these strategies in place, the Group is optimistic of its business future development and its well-positioned abilities to capture the opportunities ahead.

Comparison of Business Objectives with Actual Business Progress

In accordance with the business objectives as laid down in the IPO prospectus dated 21 July 2000, below is a progress report.

Business objectives as set out in the Prospectus:

Actual business progress in respect of the year ended 31 March 2001

Increase traffic

Launch a vertical portal on travel to increase the attractiveness of the portal.

The travel portal was launched in mid August 2000. However, the Group has decided to concentrate its resources on existing channels and the travel portal was closed down in October 2000.

Provide news content for WAP phone users.

According to the agreement with Hutchison Telephone Company Limited of 29 May 2000, the Group provides content in wireless markup language format that is accessible to Hutchison's WAP gateway. The Group provides Hutchison's WAP gateway with content including news, current affairs, horse racing and sports information.

On-line broadcast of the National Day celebrations, festive functions at Christmas, the New Year countdown and the fireworks display at Chinese New Year, to generate additional traffic from these special events.

In the opinion of the management, on-line broadcasts of the National Day celebrations will not significantly increase the Group's pageviews as the Group's news portal has sufficient coverage of such events. Instead, it established an on-line broadcast of Legislative Council Elections at the Convention Centre, running continuously for 15 hours on 10 September 2000.

Enhance existing content through the strengthening of the Group's content team by recruiting experienced staff and through strategic alliances and acquisitions.

As at 31 March 2001, the Group employs 234 staff. The Directors consider that the existing workforce is sufficient to maintain the daily operations.

On 11 October 2000, the Group entered a joint venture agreement with Show8 Cyber Media Limited for the operation of the website "www.Show8.com". This new website provides information on entertainment and leisure, which is different from the Group's existing entertainment and leisure content provided at "yulok.hkcyber.com".

Increase brand strength

Roadshows in North America and Australia to promote its comprehensive website to create brand awareness among the Chinese communities overseas.

To promote the brandname overseas, the Group conducted roadshows in San Francisco, Los Angeles, New York, Taiwan and Singapore in July 2000.

Continue advertising through different and effective media such as billboards and outdoor electronic displays and outdoor events.

To arouse public awareness of hkcyber.com, the Group run promotions to its target audience through cost-effective media channels including TV and newspapers.

Commence promoting the Group's ability to provide total e-marketing solutions.

The Group continued to promote its ability as an e-marketing solutions provider by joint promotion campaigns, interactive advertising, internet strategy formulation and technical support to e-marketing clients.

Increase revenue

Introduce interactive and full-screen advertisements.

Interactive and full-screen advertisements generated advertising revenue for the Group since April 2000. The Group's advertising clients included Carlsberg, Siemens, Xin Khaun Restaurant and Hewlett Packard.

Charge viewers on access to certain content such as horse racing tips and fortune telling.

The Group plans to charge viewers for access to certain contents.

Launch e-Mall

Since September 2000, e-Mall has been set up to provide virtual shopping mall for viewers to purchase consumer products on the internet.

Strengthen the Group's e-marketing team by recruiting experienced staff and sourcing advertisers and merchants for its services.

Currently the e-marketing team consists of 19 staff. The Group has successfully retained clients such as Hewlett Packard, Xin Khaun Restaurant, Carlsberg and Siemens during the year under review.

Charge WAP users on access to the Group's content.

The Group has postponed charging Hutchison's WAP users for access to the Group's content due to a revision in the charging formula. The Group has the rights to recover the content provision income upon finalisation of the agreement.

Introduce advertising during live shows.

The Group has been delivering advertisements at the beginning and during breaks of live shows, which were launched in June 2000.

Increase revenue from the licensing of the Group's multimedia programmes to local and overseas television stations.

The Group has generated revenue from the licensing of Macau horse racing live broadcasting programmes and interview programmes at the news portal. Additionally, the Group has licensed "Three Lions' Show" to Cable & Wireless HKT IMS.

Improvement of infrastructure

Set up mirror sites in Taiwan, Beijing in the PRC and MAE-west and east, providing faster and quality access to overseas viewers.

The Group is planning to set up its mirror site in Canada for the provision of faster and quality access to the Group's content to overseas viewers. The mirror site is expected to be set up in the second half of the calendar year.

Develop a global network infrastructure.

The Group is negotiating with overseas media for forming strategic alliances to deliver the Group's content. No agreement has yet been reached for the year ended 31 March 2001.

The Group continues to seek partnership opportunities with other media.

Purchase of hardware and software for e-commerce.

The Group considers the existing hardware and software are sufficient to maintain its daily operation.

LIQUIDITY AND FINANCIAL RESOURCES

The Group raised net proceeds of approximately HK\$156 million from the placing of Shares and listing of the Shares on GEM on 31 July 2000. The Group will apply the net proceeds as stated in the prospectus.

With the funds raised, HK\$54 million has been invested in the purchase of software and hardware for the development of e-commerce. HK\$49.5 million was spent on the improvement in network infrastructure. HK\$13.5 million was used for brand building by conducting roadshows in overseas and other brand building activities.

The remaining net proceeds of HK\$39 million have been placed with licensed banks in Hong Kong for future use as identified by the Group's business plans as stated in the prospectus.

The Group generally finances its operations with internally generated cash flow. As at 31 March 2001, the Group had cash and bank balances amounting to a total of approximately HK\$39 million. The Group had bank overdraft of approximately HK\$0.2 million only as at 31 March 2001. With the above resources and the proceeds from the placing of the Shares, the Directors consider that the Group has sufficient capital resources to finance its business activities.

SPONSORS' INTEREST

Yuanta Securities (Hong Kong) Company Limited (name changed to Core Pacific-Yamaichi (Hong Kong) Company Limited) ("Yuanta HK") has entered into a sponsorship agreement with the Company whereby, for a fee, Yuanta HK has been acting and will act as the Company's continuing sponsor for the period from the date the shares of the Company are listed on the GEM the Stock Exchange (i.e. 31 July 2000) to 31 March 2003 (the "Period"). On 4 May 2001, Yuanta HK has notified the Stock Exchange and the Company that, due to the merger between the Yuanta group and the Core Pacific group, the employment of the then existing staff of Yuanta HK has been transferred to Core Pacific-Yamaichi Capital Limited ("CPYC") and the then existing business of Yuanta HK has been gradually transferred to CPYC. As Yuanta HK no longer complies with the eligibility criteria as set out in Chapter 6 of the GEM Listing Rules, Yuanta HK has been terminated with immediate effect its role as continuing sponsor of the Company and proposed to the Company to appoint CPYC as the replacement sponsor for the balance of the Period ending 31 March 2003. The Company may also consider appointing other companies which have been admitted to the list of sponsors maintained and published by the Stock Exchange from time to time. In accordance with Rule 6.63 of the GEM Listing Rules, the Company with endeavour to appoint a replacement sponsor on or before 4 August 2001. As at the date of this report, the Company has yet to appoint any replacement sponsor.

As at 26 June 2001, Yuanta HK, its Directors, employees or associates, did not have any interest in the share capital of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

SHARE OPTION SCHEMES

Under the Pre-IPO Share Option Scheme adopted by the Company on 17 July 2000 (the “Pre-IPO Share Option Scheme”), the Company has outstanding share options thereunder to subscribe for 125,000,000 shares of HK\$0.05 each at HK\$0.05 per share to a number of grantees, being 119 employees of the Group (including 5 directors) and a consultant to the Group. A summary of the principal terms of the Pre-IPO Shares Option Scheme and particulars of the options granted are set out in the paragraph headed “Pre-IPO Share Option Scheme” in Appendix IV to the Prospectus. On full exercise of all options granted under the Pre-IPO Share Option Scheme, 125,000,000 shares will be issued, representing 10 per cent. of the issued shares immediately after completion of the issue of shares pursuant to the New Issue and Placing (but excluding the exercise of options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the conversion of the Preference Shares and the issue of shares upon any exercise of the option granted by the Company to the underwriters.

The Group has conditionally adopted the Share Option Scheme under which employees of the Group may be granted options to subscribe for shares of the Company. The principal terms of the Share Option Scheme are summarised in the paragraphs headed “Share Option Scheme” in Appendix IV to the Prospectus.

A summary of movements in the Share Options during the year under the Share Option Scheme are as follows:

Exercisable period	Exercise price per share HK\$	Number of share options		
		Granted during the year	Exercised during the year	At 31.3.2001
31 July 2000 to 30 July 2003	0.05	125,000,000	(37,655,737)	87,344,263

COMPETING INTERESTS

None of the Directors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the businesses of the Company.

APPRECIATION

The Directors value staff as an important resource for driving its business growth. The Group currently employs 234 staff in Hong Kong. During the year under review, the Group has not encountered any difficulties in recruiting and retaining experienced personnel. The Group has maintained harmonious relationships during the review year. It remunerates staff based on experience, performance and industrial factors.

Finally we would like to take this opportunity to express our gratitude to our management and staff for their dedication and loyalty. In addition, we would like to deliver our sincere thanks to our shareholders, business associates, viewers and clients for their continuous support. We are committed to strengthening our position and further accelerating our business growth.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

The Company has not redeemed any of its Shares during the year ended 31 March 2001. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the year ended 31 March 2001.

By the order of the board

Lai King Yan, Anthony

Executive Director

27 June 2001

This announcement will remain on the Company's website and on the GEM website with the domain name of www.hkgem.com on the "Latest Company Announcements" page for 7 days from the date of its posting.

** For identification purpose only*