



Inworld Group Limited

活力世界控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)



INTERIM REPORT 2001/2002

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

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## Highlights

- Total turnover of approximately HK\$2,657,000
- Net profit attributable to shareholders was approximately HK\$2,586,000
- The shares of the Company were successfully listed on GEM on 31st December, 2001

The directors (the “Directors”) of Inworld Group Limited (the “Company”) are pleased to announce the unaudited consolidated financial statements of the Company and its subsidiaries (together the “Group”) for the six months and three months ended 31st December, 2001 together with comparative figures for the corresponding periods in 2000 as follows:

## CONSOLIDATED INCOME STATEMENT

		Six months ended 31st December,		Three months ended 31st December,	
	Notes	2001	2000	2001	2000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3	2,657	3,275	1,333	3,257
Cost of services rendered		(1,205)	(752)	(565)	(538)
Gross profit		1,452	2,523	768	2,719
Other revenues		94	5	83	6
Profit on sale of investment security		4,460	—	4,460	—
Distribution costs		(886)	(859)	(852)	(310)
Administrative expenses		(2,254)	(1,384)	(1,230)	(699)
Depreciation		(280)	(192)	(140)	(102)
Operating (loss) / profit		2,586	93	3,089	1,614
Finance cost		—	(32)	—	—
Profit before taxation		2,586	61	3,089	1,614
Taxation	4	—	—	—	—
Net profit		2,586	61	3,089	1,614
Earnings per share					
— Basic (cents)	5	0.54	0.013	0.64	0.34

Net profits for the six months and three months ended 31st December, 2001 and the corresponding periods in 2000 are the sole component of the total recognized gains and losses. No movement to or from retained profits or accumulated losses for the six months and three months ended 31st December, 2001 and the corresponding periods in 2000.

## CONSOLIDATED BALANCE SHEET

		At 31st December, 2001 HK\$'000	At 30th June, 2001 HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Fixed assets	6	1,159	925
Investment in security, unlisted	7	—	1,802
Investment in security, listed	8	1,802	—
		<u>2,961</u>	<u>2,727</u>
<b>CURRENT ASSETS</b>			
Accounts receivable	9	1,367	2,720
Deposits, prepayment and other receivable		4,447	872
Investment in security, unlisted	7	—	1,098
Cash and bank balance		26,473	1,068
		<u>32,287</u>	<u>5,758</u>
<b>CURRENT LIABILITIES</b>			
Other payable and accruals		338	89
Amounts due to a related company	10	274	367
		<u>612</u>	<u>456</u>
<b>NET CURRENT ASSETS</b>		<u>31,675</u>	<u>5,302</u>
<b>NET ASSETS</b>		<u>34,636</u>	<u>8,029</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	11	5,760	—
Reserves	12	28,876	8,029
		<u>34,636</u>	<u>8,029</u>

## CONSOLIDATED CASH FLOW STATEMENT

**For the six  
months ended  
31st December,  
2001**  
*HK\$'000*

NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(3,658)
NET CASH INFLOW FROM RETURN ON INVESTMENTS AND SERVING OF FINANCE	68
NET CASH INFLOW FROM INVESTING ACTIVITIES	<u>4,975</u>
NET CASH INFLOW BEFORE FINANCING	1,385
NET CASH INFLOW FROM FINANCING	<u>24,020</u>
INCREASE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS	25,405
— at beginning of the period	<u>1,068</u>
— at end of the period	<u><u>26,473</u></u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS	
Bank and cash balances	<u><u>26,473</u></u>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. Segment information

### Business segment

The Group is principally engaged in the business as a system solutions provider. As per note 3 set out in this report, during the six months and three months ended 31st December, 2001 and the corresponding periods in 2000, the system solutions services offered by the Group consist of IT consultation and infrastructure projects, Internet-based application, web page design and development and banner design and advertisement.

The major component of cost of services rendered for system solution is labour cost. In view of increasing efficiency and flexibility of labour force, the management of the Group did not assign certain employees to specific business segment. Similarly during the periods under review, all distribution costs and administrative expenses were incurred in a group basis; therefore no segment expenses were allocated to various business segments.

Segment assets to be allocated to business segments are as follows:

	At 31st December, 2001 <i>HK\$'000</i>	At 30th June, 2001 <i>HK\$'000</i>
<b>Accounts receivable</b>		
IT projects consultation and infrastructure	1,110	130
Internet-based application	—	2,290
Banner design and advertisement	240	300
Web page design and development	17	—
	<u>1,367</u>	<u>2,720</u>

### Geographical segment

Other than membership income of approximately HK\$3,000 derived from a subsidiary in Singapore during the six months and three months ended 31st December, 2000, all turnover for the six months and three months ended 31st December, 2001 and corresponding periods in 2000 was generated from the business operated in Hong Kong. In this respect, the Directors are of the opinion that no geographical analysis is necessary.

## 2. **Basis of presentation**

The Company was incorporated in the Cayman Island under the Companies Law as an exempted company with limited liability on 30th July, 2001. Pursuant to a group reorganisation (the “Reorganisation”) for the listing of the Company’s shares on GEM, the Company became the holding company of the Group on 24th September, 2001. The shares of the Company were listed on GEM on 31st December, 2001.

The Reorganisation involved companies under common control, and the Group resulting from the Reorganisation regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements of the Group have been prepared as if the Group for the six months ended 31st December, 2001 and 31st December, 2000 had been in existence throughout the periods covered by this report or since their respective dates of incorporation, where this is a shorter period.

All significant transactions and balances between companies now comprising the Group have been eliminated on consolidation. The interim financial statements are prepared in accordance with the requirements as set out in the GEM Listing Rules and the Statement of Standard of Accounting Practice 2.125 “Interim Financial Reporting” as issued by the Hong Kong Society of Accountant except that the company has taken advantage of the transitional provisions set out in the GEM Listing Rules 18.55 Note 4 in relation to comparative cash flow statement for the six months ended 31st December, 2000. The accounting policies and basis for the preparation of the unaudited consolidated interim financial statements of the Group are consistent with those used in the Accountants’ Report as set out in the prospectus of the Company dated 18th December, 2001 (the “Prospectus”).

### 3. Turnover

	Six months ended		Three months ended	
	31st December,		31st December,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
System solution service income				
IT projects				
— Consultation	1,200	1,090	600	1,090
— Infrastructure	949	1,523	465	1,510
Internet-based application				
— The Inworld Marketplace System	—	300	—	300
Web page design and development	28	100	28	100
Banner design and advertisement	480	250	240	250
	<u>2,657</u>	<u>3,263</u>	<u>1,333</u>	<u>3,250</u>
Membership income	<u>—</u>	<u>12</u>	<u>—</u>	<u>7</u>
	<u><u>2,657</u></u>	<u><u>3,275</u></u>	<u><u>1,333</u></u>	<u><u>3,257</u></u>

### 4. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Group had no assessable profits in Hong Kong for the six months and three months ended 31st December, 2001 and the corresponding periods in 2000.

The Company's subsidiary established in Singapore is subjected to the tax laws of the country. No provision for Singapore profit tax has been made in the accounts as the subsidiary had no assessable profits for the six months and three months ended 31st December, 2001 and the corresponding periods in 2000.



## 5. Earnings per share

The calculation of the Group's basic earnings per share for the six months and three months ended 31st December, 2001 is based on the Group's profit attributable to shareholders of approximately HK\$2,586,000 and HK\$3,089,000 (six months and three months ended 31st December, 2000: approximately HK\$61,000 and HK\$1,614,000) respectively for the respective periods and the weighted average number of approximately 480,000,000 shares (six months and three months ended 31st December, 2000: 480,000,000 shares) on the assumption that 480,000,000 shares had been in issue throughout the respective periods.

There were no diluted potential ordinary shares in issue during the six months and three months ended 31st December, 2001 and the corresponding periods in 2000.

## 6. Fixed assets

	<b>Cost</b> <i>HK\$'000</i>	<b>Accumulated depreciation</b> <i>HK\$'000</i>	<b>Net book value</b> <i>HK\$'000</i>
<b>As at 31st December, 2001</b>			
Motor vehicle	185	4	181
Furniture and fixtures	95	30	65
Office equipment	122	50	72
Leasehold improvements	209	63	146
Computer hardware and software	1,252	557	695
	<u>1,863</u>	<u>704</u>	<u>1,159</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>As at 30th June, 2001</b>			
Motor vehicle	268	89	179
Furniture and fixtures	78	21	57
Office equipment	103	35	68
Leasehold improvements	165	43	122
Computer hardware and software	852	353	499
	<u>1,466</u>	<u>541</u>	<u>925</u>

**7. Investment in security, unlisted**

	<b>At 31st December, 2001</b>	<b>At 30th June, 2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment security, at cost		
Unlisted	—	2,900
Less: portion disclosed under current assets	—	(1,098)
	<u>          </u>	<u>          </u>
	—	1,802
	<u>          </u>	<u>          </u>

As per the note 4(b) set out in Accountants' Report in the Prospectus, the Group initially held 7,250 shares in the capital of Rainbow Cosmetic (BVI) Limited, and subsequently exchanged for a total number of 39,629,125 shares of Rainbow International Holdings Limited, of which shares have been listed on 15th October, 2001 on GEM.

**8. Investment in security, listed**

	<b>At 31st December, 2001</b>	<b>At 30th June, 2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment security, at cost	1,802	—
	<u>          </u>	<u>          </u>
Market value of listed investment	16,000	—
	<u>          </u>	<u>          </u>

The Group offered 15,000,000 shares in Rainbow International Holdings Limited for sale under the share offer of Rainbow International Holdings Limited. Accordingly, the balance of 24,629,125 shares, representing approximately 7.04% shareholding interests in Rainbow International Holdings Limited, are recorded as listed securities in the period ended 31st December, 2001.

## 9. Accounts receivable

Customers are usually offered a credit period ranging from 7 days to 90 days. An ageing analysis of accounts receivable as at 31st December, 2001 is as follows:

	<b>At</b> <b>31st December,</b> <b>2001</b> <i>HK\$'000</i>	<b>At</b> <b>30th June,</b> <b>2001</b> <i>HK\$'000</i>
0 to 30 days	1,275	—
31 to 60 days	32	830
61 to 90 days	15	—
Over 90 days	45	1,890
	<u>1,367</u>	<u>2,720</u>

## 10. Amount due to a related company

This represents amount due to Styland (Hong Kong) Limited which is unsecured and interest free. The amount as at 31st December, 2001 was repaid on 4th February, 2002.

## 11. Share capital

	<i>HK\$</i>
Authorised:	
1,500,000,000 ordinary shares of HK\$0.01 each	<u>15,000,000</u>
Issued and fully paid:	
576,000,000 ordinary shares of HK\$0.01 each	<u>5,760,000</u>

## 11. Share capital (Cont'd)

A summary of the above movements in the issued share capital of the Company is as follows:

	<b>Number of shares issued</b>	<b>Paid-up nominal value HK\$</b>
Shares issued and allotted on incorporation	100	1
Shares issued as consideration for the acquisition of the entire share capital of subsidiaries	39,900	399
Credited as fully paid from contributed surplus account	479,960,000	4,799,600
New issue by way of placing and public offer	96,000,000	960,000
	<u>576,000,000</u>	<u>5,760,000</u>

The following changes in the Company's authorised and issued share capital took place during the period from 30th July, 2000 (date of incorporation) to 31st December, 2001:

- (a) On incorporation, the authorised share capital of the Company was HK\$350,000 divided into 350,000 shares of HK\$1.00 each. One share of HK\$1.00 was issued and allotted, credited as fully paid, to subscriber of the Company.
- (b) On 20th September, 2001, the share capital of the Company was subdivided into 100 issued shares and 34,999,900 unissued shares of HK\$0.01 each.
- (c) Pursuant to a written resolution of all the shareholders of the Company passed on 12th December, 2001, the authorised share capital of the Company was increased from HK\$350,000 to HK\$15,000,000 by the creation of an additional 1,465,000,000 shares, such new shares to rank pari passu in all respects with the existing shares.

## 11. **Share capital** (*Cont'd*)

- (d) Pursuant to a written resolution of all the shareholders of the Company passed on 13th December, 2001, the Directors were authorised to capitalise the sum of HK\$4,799,600 standing to the credit of the contributed surplus account of the Company by applying such sum in paying up in full at par a total number of 479,960,000 shares for allotment and issue to holders of shares whose names appear on the register of members of the Company as at the close of business on 13th December, 2001 in proportion (as nearly as possible without involving fractions) to their then respective shareholdings in the Company.
- (e) On 27th December, 2001, the share offer became unconditional and 96,000,000 shares were issued at HK\$0.32 each by way of placing and public offer.

### **Share options**

Pursuant to the Pre-IPO Share Option Scheme, a director of a subsidiary in Singapore and 15 employees of the Group (other than the Directors of the Company as disclosed under the section headed "Disclosure of Interests in Securities or Debt Securities of the Issuer or Any Associated Corporations") were granted on 14th December, 2001 options to subscribe for an aggregate of 18,790,000 Shares at a price equals to the nominal value of a Share.

Under the terms of the options granted under the Pre-IPO Share Option Scheme, the grantees will be entitled to exercise (i) one-third of the options so granted to him/her (rounded down to the nearest whole number) after the expiry of 6 months after 31st December, 2001; (ii) one-third of the options so granted to him/her (rounded down to the nearest whole number) after the expiry of 12 months after 31st December, 2001; and (iii) the remaining options after the expiry of 18 months after 31st December, 2001.

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company (including the Pre-IPO Share Option Scheme) must not exceed 30% of the issued share capital of the Company from time to time.

## 11. Share capital (Cont'd)

Rule 23.08 of the GEM Listing Rules stipulates that the listed issuer is encouraged to disclose in its annual report and half-year report the value of options granted to participants set out in (i) to (v) of Rule 23.07 during the financial year/period. Since dealing of the shares of the Company commenced from 31st December, 2001, the data of the one-day closing price was not sufficient to derive the historical volatility of the shares of the Company, which is a critical parameter for the Black-Scholes options pricing model. Therefore, the Directors consider that in the absence of essential parameters, it is impossible to disclose the value of the options granted during the six months ended 31st December, 2001 in accordance with Rule 23.08 of the GEM Listing Rules.

Save as disclosed above, as at 31st December, 2001 and the date of this report, no other option have been granted.

## 12. Reserves

	Share Premium HK\$'000	Contributed surplus HK\$'000	Retained Profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1st July, 2000	—	—	(4,217)	(4,217)
Capitalisation of shareholders' loan	12,195	—	—	12,195
Profit for the year	—	—	51	51
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June, 2001	12,195	—	(4,166)	8,029
Elimination upon Reorganisation	(12,195)	—	—	(12,195)
Share issued at premium	29,760	—	—	29,760
Share issue expenses (Note)	(6,700)	—	—	(6,700)
Arising on the Reorganisation	—	12,195	—	12,195
Capitalisation issue of shares to then shareholders	—	(4,799)	—	(4,799)
Profit for the period	—	—	2,586	2,586
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2001	<u>23,060</u>	<u>7,396</u>	<u>(1,580)</u>	<u>28,876</u>

Note: Settlement of share issue expenses is still under processing, and they are currently estimated to amount in aggregate to approximately HK\$10 million, of which 67% payable by the Company.

## FINANCIAL REVIEW

### Turnover

The unaudited consolidated turnover of the Group for the six months ended 31st December, 2001 was approximately HK\$2,657,000, representing a 19% decrease as compared to the unaudited consolidated turnover of the Group of approximately HK\$3,275,000 for the corresponding period in 2000. Turnover comprised IT projects consultation and infrastructure, banner design and advertisement and web page design and development. During the six months ended 31st December, 2001, the Group had not recorded revenue from Internet-based application.

### Net profit

The net profit for the six months ended 31st December, 2001 was HK\$2,586,000, which was a significant increase as compared to HK\$61,000 recorded in the corresponding period in 2000. This is mainly attributable to the profit on sale of investment security during the six months ended 31st December, 2001.

### Liquidity and financial resources

The Group generally finances its operation with internally generated cash flow. During the period under review, the Group had a net current assets of approximately HK\$31,675,000.

The Group expresses its gearing ratio (if any) as a percentage of bank borrowing and long term debts over total assets. **As at 31st December, 2001 and to the date of this report the Group did not have any bank borrowing or long term debts.**

The Directors believe that, taking into consideration the financial resources available to the Group including the internally generated funds and net proceeds from the Share Offer, the Group has sufficient funding to satisfy its capital expenditure and working capital requirement.

### Investment in listed security

The Group intends to hold the listed security as long term investment.

## **FINANCIAL REVIEW** *(Cont'd)*

### **Employees**

As at 31st December, 2001, the Group had 26 employees. Employees are usually rewarded base on their performance and experience. The Group has participated in a defined contribution scheme for all its employees in Hong Kong and a state provident fund for its employees in Singapore.

### **Foreign exchange risk**

During the period under review, most of the assets and liabilities of the Group were denominated in Hong Kong dollars, thus the Directors do not consider that the Group was significantly exposed to any foreign currency exchange risk.

### **Contigent liabilities**

As at 31st December, 2001, the Group had no contigent liabilities.

### **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 31st December, 2001 (2000 - nil), in line with the statement in the Prospectus.



## **BUSINESS REVIEW**

The Group's overall business objective is to become a leading system solutions provider and IT consultant targeting at the SMEs in the Asian region with a primary focus in Hong Kong, the PRC and Singapore. The actual progress of these objectives for the six months ended 31st December, 2001 is summarized as follows:

### **IT infrastructure and consultation project**

During the six months ended 31st December, 2001, the Group has engaged in a number of IT infrastructure and consultation projects with various kinds of customer. Based on the Group's experience in developing IT solutions and experience from completed projects, IT consultation and infrastructure services have been accounted for a significant percentage of the Group's total revenue. Besides, talented and experienced staffs were keeping themselves aware of the latest technology so as to keep pace with the market demand. Effort the Company paid is rewarded by several business opportunities that may take effect in early 2002.

### **Internet-based applications**

The Group's R&D team has conducted research and development on new applications, namely, Intranet system and ticketing system which are aimed to expand the product category to maintain the Group's competitiveness. In addition, the technical team has dedicated effort to improve functions and features of the Inworld e-Stock System and Inworld Marketplace System. Additional modules for data and security management have been also developed to cater the ever-changing market demands.

### **ASP development**

The Group has embarked on the launching of online trading platform, namely Inworld Marketplace in July 2001 and planned to roll-out a revised version in early 2002. The Group is also aware of the market trend in the PRC and continues to conduct feasibility study to expand ASP business. The Group is confident that the ASP development would provide a promising growth for the Company in the future.

## **BUSINESS REVIEW** *(Cont'd)*

### **Enhance the Internet infrastructure**

The Group realizes that the IT industry is characterized by rapidly changing technology and industry standard. In order to maintain the Group's competitiveness, the Group's technical team has renewed the security and data storage system.

### **Expand the geographical presence**

The Directors believe that PRC is a high growth potential region to expand the Group's system solutions and ASP services, therefore, the Group has conducted a number of feasibility studies regarding the market condition and business environment in Shanghai and Guangdong during the six months ended 31st December, 2001. In addition, the Group has also identified new alliances for future business development opportunities.

## **PROSPECTS**

Taking advantage of rich experience in various IT solution and consultation projects, the Group is glad to announce that in the very early 2002, the Group has already signed a memorandum with Asia Television Limited on system consultation and infrastructure project and expect to sign official agreement within 9 months. Notwithstanding, the Group will continue paying effort to capture larger market share and improve the service quality the Group provided. In addition, the Group intends to conduct research and studies regarding packaging generic application product into a multi-function generic product catered for the SMEs and software houses. The Group believes that the effective market positioning strategy and cost controlling procedure provide a positive future for the Group.

The Group expects that the entry of PRC into the World Trade Organization (WTO) will foster increasing demand for system solutions, infrastructure and consultation services. The Group intends to expand its operation into the PRC and reinforce its existing operation in Hong Kong and Singapore to capture the opportunities brought by the PRC. In addition, the Group intends to develop ASP services that are adaptable to the market in the PRC, Hong Kong and Singapore.

## **PROSPECTS** (Cont'd)

Other than system solutions and ASP business, the Group intends to derive benefit from the Group's existing resources, for example, membership database and ICP business. Research and feasibility studies are undergoing so as to ensure the capital will be productively used and protect the Group's shareholders' and investors' interest.

Follow with the expansion of the Group's business, marketing programs will be implemented to promote the Group's ASP services and IT outsourcing services with a main focus on the Group's capability to provide IT outsourcing services in the PRC, Hong Kong and Singapore.

## **DISCLOSURE OF INTERESTS IN SECURITIES OR DEBT SECURITIES OF THE ISSUER OR ANY ASSOCIATED CORPORATIONS**

### **(1) Directors and chief executive**

Interests in shares of the Company as at 31st December, 2001

<b>Name of director</b>	<i>Notes</i>	<b>Number of shares</b>	<b>Type of interest</b>
Mr. Ngai Kwok Kin, Kevin	1	150,163,200	Corporate
Mr. Chan Wai Lun	2	84,283,200	Corporate

*Notes:*

1. Mr. Ngai Kwok Kin, Kevin is the sole beneficial shareholder of Dynamate Limited which, in turn, is interested in 26.07% of the issued share capital of the Company.
2. Mr. Chan Wai Lun is the sole beneficial shareholder of Joyview International Limited which, in turn, is interested in 14.63% of the issued share capital of the Company.

# DISCLOSURE OF INTERESTS IN SECURITIES OR DEBT SECURITIES OF THE ISSUER OR ANY ASSOCIATED CORPORATIONS *(Cont'd)*

## (1) Directors and chief executive *(Cont'd)*

### Right to acquire shares of the Company

Pursuant to the terms of a pre-IPO Share Option Scheme adopted by the Company on 14th December, 2001 options have been granted to two directors to subscribe for shares of the Company. Details of which are as follows:

<b>Name of director</b>	<b>Number of underlying shares</b>
Mr. Ngai Kwok Kin, Kevin	19,580,000
Mr. Chan Wai Lun	19,230,000

Pursuant to the terms of the Pre-IPO Share Option Scheme, each of Mr. Ngai Kwok Kin, Kevin and Mr. Chan Wai Lun will be entitled to exercise (i) two-third of the options granted to him (rounded down to the nearest whole number) after the expiry of 12 months from 31st December, 2001; and (ii) the remaining options after the expiry of 18 months after 31st December, 2001.

The exercise price for the options granted to the Directors equals to the nominal value of a share.

The Company has also adopted a Share Option Scheme on 14th December, 2001, under which the Director may be granted options to subscribe for shares of the Company. Other than the Pre-IPO Share Option Scheme, no options had been granted to the Directors or employees up to the date of this report.

## DISCLOSURE OF INTERESTS IN SECURITIES OR DEBT SECURITIES OF THE ISSUER OR ANY ASSOCIATED CORPORATIONS *(Cont'd)*

### (2) Substantial Shareholders

As at 31st December, 2001 the shareholders with an interest of 10% or more in the issued share capital of the Company recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance were as follows:

<b>Name</b>	<b>Notes</b>	<b>Number of shares</b>
City Lion Worldwide Limited	1	187,012,800
Styland (Overseas) Limited	1	187,012,800
Ever-Long Asset Management Limited	2	696,000
Ever-Long Holdings Limited	2	696,000
Styland Holdings Limited	1, 2, 3	187,708,800
Dynamate Limited	4	150,163,200
Mr. Ngai Kwok Kin, Kevin	4	150,163,200
Joyview International Limited	5	84,283,200
Mr. Chan Wai Lun	5	84,283,200

#### *Notes:*

1. These shares are beneficially owned by and registered in the name of City Lion Worldwide Limited. City Lion Worldwide Limited is a wholly-owned subsidiary of Styland (Overseas) Limited, which is in turn a wholly-owned subsidiary of Styland Holdings Limited. Accordingly, Styland (Overseas) Limited and Styland Holdings Limited will have a deemed interest in the 187,012,800 shares held by City Lion Worldwide Limited under the SDI Ordinance.
2. These shares are beneficially owned by and registered in the name of Ever-Long Asset Management Limited. Ever-Long Asset Management Limited is a wholly-owned subsidiary of Ever-Long Holdings Limited, which is in turn a wholly-owned subsidiary of Styland Holdings Limited. Ever-Long Holdings Limited and Styland Holdings Limited are deemed to be interested in the 696,000 Shares held by Ever-Long Asset Management Limited under the SDI Ordinance.

## **DISCLOSURE OF INTERESTS IN SECURITIES OR DEBT SECURITIES OF THE ISSUER OR ANY ASSOCIATED CORPORATIONS** *(Cont'd)*

### **(2) Substantial Shareholders** *(Cont'd)*

3. Styland Holdings Limited is deemed to be interested in the 187,708,800 Shares held by City Lion Worldwide Limited and Ever-Long Asset Management Limited under the SDI Ordinance.
4. These shares are beneficially owned by and registered in the name of Dynamate Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Ngai Kwok Kin, Kevin.
5. These shares are beneficially owned by and registered in the name of Joyview International Limited the entire issued share capital of which is beneficially and wholly owned by Mr. Chan Wai Lun.

### **SPONSORS' INTEREST**

None of the Company's sponsor, Sun Hung Kai International Limited, its directors, employees or associates had any interests in any class of securities of the Company or any other company in the Group.

Pursuant to the agreement dated 17th December, 2001 entered into between the Company and Sun Hung Kai International Limited has been retained to act as the Company's sponsor for the period from 31st December, 2001 to 30th June, 2004 in return for a monthly advisory fee.

### **BOARD PRACTICES AND PROCEDURES**

The Company has complied with board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing since listed on GEM.

### **COMPETING INTERESTS**

None of the Directors or the management shareholders of the Company had an interest in a business which competes with the Company or may compete with the business of the Company.

## **AUDIT COMMITTEE**

As required by Rule 5.23 of the GEM listing rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee's principal duties are the review and supervision of the Company's reporting process and internal control system.

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

There was no purchase, sales or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months ended 31st December, 2001.

By order of the Board  
**Ngai Kwok Kin, Kevin**  
*Chairman*

Hong Kong, 8th February, 2002