AKuP International Holding Limited

艾克國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2001

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the GEM website at http://www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

This announcement, for which the directors (the "Directors") of AKuP International Holding Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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.

HIGHLIGHTS

- **The Company's shares were listed on the GEM of the Stock Exchange on 5 November 2001.**
- **The Group revenue increased by approximately 15.1% to approximately HK$29.9 million over the previous year.**
- **Profit attributable to shareholders showed a turnaround from loss attributable to shareholders of approximately HK$2.5 million to approximately HK$2.5 million when compared with the previous year.**
- **Earnings per share showed a turnaround from loss per share of approximately HK cents 0.49 to approximately HK cents 0.46 when compared with the previous year.**
- **The directors of the Company do not recommend the payment of a dividend in respect of the year ended 31 December 2001.**

RESULTS

The board of directors (the "Board") of AKuP International Holding Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2001, together with the comparative figures for the previous year, as follows:

	Note	2001 *HK$'000*	2000 *HK$'000*
Revenue	3	29,875	25,965
Cost of services and merchandise sold		(2,093)	(1,960)
Gross profit		27,782	24,005
Research and development costs		(4,257)	(4,140)
Selling expenses		(10,757)	(14,315)
General and administrative expenses		(11,259)	(9,809)
Profit/(loss) from operations	3	1,509	(4,259)
Net finance income	4	754	543
Profit/(loss) before taxation	4	2,263	(3,716)
Taxation	5	189	1,202
Profit/(loss) attributable to shareholders		**2,452**	**(2,514)**
Earnings/(loss) per share	6		
Basic		**0.46 cents**	**(0.49) cents**

Notes:

1 **Reorganization**

The Company was incorporated in the Cayman Islands on 14 June 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company became the holding company of the Group on 29 October 2001 through a reorganisation (the "Reorganisation").

2 Basis of presentation

The financial information presented has been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. This financial information also complies with the applicable disclosure requirements of the Listing Rules of the GEM of the Stock Exchange.

The Company and its subsidiaries resulting from the Reorganisation have been regarded as a continuing group. Accordingly the consolidated results have been prepared on the basis of merger accounting in accordance with the Statement of Standard Accounting Practice No. 2.127 "Accounting for Group Reconstructions". On this basis, the Company was the holding company of the Group for both years presented, rather than from 29 October 2001. In the circumstances, the results of the Group for the years ended 31 December 2000 and 2001 include the results of the Company and its subsidiaries with effect from 1 January 2000 or since their respective dates of incorporation, whichever is a shorter period. In the opinion of the Directors, the resulting consolidated results give a more meaningful view of the results of the Group as a whole.

3 Revenue

The principal activities of the Group are the provision of custom-made solutions and consultancy services and sale of hardware and software products.

Revenue represents income arising from the provision of custom-made solutions and consultancy services and the sale of hardware and software products. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

Under the value added tax ("VAT") regulations in Taiwan, a Taiwan subsidiary of the Group is subject to VAT which is calculated at the rate of 5% on the invoiced value of sales ("output VAT"). Output VAT is borne by customers in addition to the invoiced value of sales. VAT paid by this subsidiary on its purchases and assets acquisitions ("input VAT") is recoverable out of output VAT collected from its customers on its sales.

The analysis of the principal activities and geographical locations of the Group's operations are as follows:

	Group revenue		Contribution to profit/(loss) from operations	
	2001	**2000**	**2001**	**2000**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Principal activities				
Custom-made solutions	915	2,467	367	1,439
Sales of software products	27,674	22,747	27,257	22,209
Sales of hardware products	1,286	731	158	337
Professional services	—	20	—	20
	29,875	**25,965**	27,782	24,005
Operating expenses			(26,273)	(28,264)
			1,509	**(4,259)**
Geographical locations				
Taiwan	7,110	10,640	5,079	8,895
Hong Kong	1,710	2,257	1,710	2,232
The People's Republic of China (excluding Taiwan and Hong Kong) (the "PRC")	20,570	10,985	20,561	10,985
Singapore	485	2,083	432	1,893
	29,875	**25,965**	27,782	24,005
Operating expenses			(26,273)	(28,264)
			1,509	**(4,259)**

4 Profit/(loss) before taxation

Profit/(loss) before taxation is arrived after charging/(crediting):

(a) Net finance income

	2001 *HK$'000*	**2000** *HK$'000*
Interest on other borrowings repayable within five years	72	—
Interest income	(26)	(101)
Exchange gain	(800)	(442)
	(754)	**(543)**

(b) Other items

	2001 *HK$'000*	**2000** *HK$'000*
Research and development costs	4,734	4,140
Less: amount capitalized	(477)	—
	4,257	4,140
Cost of inventories*	2,000	1,603
Auditors' remuneration	516	119
Depreciation	1,592	733
Operating lease charges in respect of properties	2,147	1,880
Provision for doubtful debts	4,202	8,160
Provision for foreseeable losses of contract work	84	—

* Cost of inventories includes a write-down of HK$406,000 (2000: HK$Nil) to state the inventories at net realisable value.

5 Taxation

Taxation represents:

	2001 *HK$'000*	2000 *HK$'000*
Taxation outside Hong Kong for the year	32	242
Under-provision for taxation outside Hong Kong in respect of prior year	13	—
	45	242
Deferred taxation	(234)	(1,444)
	(189)	**(1,202)**

No provision for Hong Kong Profits Tax has been provided for the year ended 31 December 2001 (2000: HK$Nil) as the Group sustained a loss for taxation purposes in Hong Kong during the year.

Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdiction.

Deferred tax asset mainly comprises the future benefit of tax losses in respect of a subsidiary, tax incentive for research and development costs and deferred deduction of the provisions for doubtful debts and inventories for tax purposes. There is no significant deferred taxation liability not provided for during the year.

6 Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share for the year ended 31 December 2001 is based on the profit attributable to shareholders of HK$2,452,000 divided by the weighted average number of 532,500,000 shares in issue during the year.

The calculation of basic loss per share for the year ended 31 December 2000 is based on the loss attributable to shareholders of HK$2,514,000 divided by 513,000,000 shares in issue, immediately prior to the placing but after the capitalisation issue dated 4 November 2001.

(b) Diluted earnings/(loss) per share

There were no potential dilutive ordinary shares in issue as at 31 December 2001 and 2000.

7 Dividend

The Directors of the Company do not recommend the payment of a dividend in respect of the year ended 31 December 2001 (2000: HK$Nil).

8 Reserves

	Share premium HK$'000	Accumulated losses HK$'000	Exchange reserves (note (ii)) HK$'000	Total HK$'000
At 1 January 2000	—	(4,792)	(2)	(4,794)
Premium arising on the issuance of shares by the Company	22,738	—	—	22,738
Loss for the year	—	(2,514)	—	(2,514)
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	—	—	(397)	(397)
At 31 December 2000	22,738	(7,306)	(399)	15,033
At 1 January 2001	22,738	(7,306)	(399)	15,033
Premium arising on the issuance of shares by the Company	11,753	—	—	11,753
Capitalisation issue	(49,966)	—	—	(49,966)
Premium arising on the placing of shares by the Company	21,060	—	—	21,060
Share issuance expenses	(5,585)	(3,580)	—	(9,165)
Profit for the year	—	2,452	—	2,452
Exchange difference on the consolidation of the Company's shares	—	—	7	7
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	—	—	(2,180)	(2,180)
At 31 December 2001	—	(8,434)	(2,572)	(11,006)

(i) *Legal reserve*

According to the articles of association of the Group's subsidiary in Taiwan, AKuP International Technology Co., Ltd. ("AKuP Taiwan") should appropriate 10 per cent. of its net income, determined in accordance with accounting principles generally accepted in Taiwan, after making good losses in previous years, to a legal reserve. No appropriation was made to the legal reserve as AKuP Taiwan has accumulated losses as at 31 December 2001.

Pursuant to the Company Law in Taiwan, legal reserve can be used to make good losses and the balance of legal reserve can be converted into paid up capital to the extent that the conversion would not exceed 50 per cent. of the outstanding balance and the balance of legal reserve before conversion reaches 50 per cent. of the issued share capital.

(ii) *Exchange reserves*

Exchange reserves represent exchange differences arising from the consolidation of the Company's shares and the translation of the financial statements of subsidiaries operating outside Hong Kong.

9 **Segment reporting**

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) *Business segments*

i) Custom-made solutions

To develop and implement custom-made solutions for customers which are specifically designed and developed for the specific needs and requirements of a particular customer.

ii) Sales of software products

The development and sale of a range of self-developed standardized software products.

iii) Sales of hardware products

The trading of hardware products.

iv) Professional services

The provision of IT engineering services.

During the year ended 31 December 2001, more than 90 per cent. of the operations of the Group in terms of both revenue and operating profit were derived from the sales of software products.

The Group revenue and contribution to profit/(loss) from operations by business segments is disclosed in note 3.

(b) *Geographical segments*

The Group's business is managed on a worldwide basis, but participates in four principal economic environments. Taiwan and the PRC are major markets for all of the Group's businesses and Taiwan is the development centre of custom-made solutions and standardised software products.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Contribution to profit/(loss) from operations by geographical locations is disclosed in note 3.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group recorded total revenue of approximately HK$29.9 million for the year ended 31 December 2001, representing an increase of approximately 15.1% from revenue of approximately HK$26.0 million for the year ended 31 December 2000. The increase in the Group revenue was mainly due to the increase in the sales of self-developed standardized software products which amounted to approximately HK$27.7 million for the year of 2001 (2000: HK$22.7 million), being the major revenue of the Group and accounted for approximately 92.6% of total revenue (2000: 87.6%). Sales of self-developed standardized software products increased because the Group has placed significant emphasis on the sale of standardized Customer Relationship Management ("CRM") software products in the PRC. As a result, revenue generated from the PRC amounted to approximately HK$20.6 million, constituting over 68.9% of the total sales of the Group for the year ended 31 December 2001 (2000: 42.3%).

Gross profit

For the year ended 31 December 2001, the Group's gross profit amounted to approximately HK$27.8 million, representing an increase of approximately 15.7% over the gross profit of approximately HK$24.0 million for the year ended 31 December 2000. In addition, the Group's gross profit margin remained relatively high at approximately 93.0% for the year ended 31 December 2001 when compared with approximately 92.5% for the year ended 31 December 2000. The Group's high gross profit margin is mainly contributed by the higher profit margin of self-developed standardized software products of approximately 98.5% as compared to that of custom-made solutions, which is a result of the Group's focus on the business of self-developed standardized software products.

Profit before taxation

The Group recorded a profit before taxation of approximately HK$2.3 million for the year ended 31 December 2001, representing a turnaround from a loss before taxation of approximately HK$3.7 million for the year ended 31 December 2000. The turnaround was mainly contributed by the increase in gross profit from the sales of self-developed standardized software products and the reduction in the provision for doubtful debts which were partly net off by the increase in general and administrative expenses. General and administrative expenses increased as a result of the increase in professional fees and the costs for business expansion. During 2001, the Group has set up offices in Shanghai, Guangzhou and Chengdu.

Borrowing

Apart from intra-group liabilities, the Group did not have outstanding balances on 31 December 2001 any loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities. As at 31 December 2000, the Group had total short term borrowing of approximately HK$3.9 million, comprising loan from employees of approximately HK$3.1 million and amount due to the then shareholder of approximately HK$0.8 million.

The Group's gearing ratio as at 31 December 2001 was nil (2000: 16.4%), which is expressed as a percentage of the total short-term borrowing over the total assets.

Liquidity, financial resources and capital structure

As at 31 December 2001, the Group's total assets were approximately HK$55.0 million (2000: HK$23.7 million), comprising computer equipment, software and other fixed assets of approximately HK$5.1 million (2000: HK$3.9 million), investments of approximately HK$8.0 million (2000: HK$Nil), other assets of approximately HK$1.2 million (2000: HK$1.1 million), deferred tax assets of approximately HK$3.2 million (2000: HK$3.2 million), inventories of approximately HK$1.2 million (2000: HK$1.3 million), gross amounts due from customers for contract work of approximately HK$0.3 million (2000: HK$0.7 million), trade receivables of approximately HK$25.1 million (2000: HK$12.4 million), prepayments and other receivables of approximately HK$3.6 million (2000: HK$0.3 million) and cash and bank balances of approximately HK$7.3 million (2000: HK$0.8 million).

As at 31 December 2001, the Group's current liabilities were mainly comprised accrued expenses and other payables of approximately HK$3.0 million. As at 31 December 2000, the Group's current liabilities were approximately HK$7.6 million comprising gross amounts due to customers for contract work of approximately HK$0.1 million, trade payables of approximately HK$0.9 million, loan from employees of approximately HK$3.1 million, amount due to the then shareholder of approximately HK$0.8 million, accured expenses and other payables of approximately HK$2.6 million and tax payable of approximately HK$0.1 million. The Group did not have any non-current liabilities outstanding at 31 December 2000 and 2001.

The Group generally services its debts primary through cash generated from its operations. As at 31 December 2001, the Group had cash and bank balances, of approximately HK$7.3 million (2000: HK$0.8 million).

As at 31 December 2001, the Group did not have any charges on its assets and future plans for material investments or capital assets.

The business activities of the Group do not expose to material fluctuations in exchange rates except for the operations through its subsidiaries in Taiwan and the PRC, which are subject to fluctuations in exchange rates between new Taiwan dollars and Hong Kong dollars, and between Renminbi and Hong Kong dollars respectively. The Group will conduct periodic review of its exposure to foreign exchange risk and use derivative financial instruments to hedge against such risk, as considered appropriate in the circumstances. As at 31 December 2001, the Group did not have any outstanding derivative financial instruments for hedging purposes.

Treasury policies

With the focus on risk management, the Group adopts a conservative approach towards its treasury policies in order to monitor its foreign exchange risk, credit risk and liquidity risk. Financial assets of the Group include cash, investments, trade receivables, prepayments and other receivables. Financial liabilities of the Group include accrued expenses and other payables. The Group strives to minimise the foreign exchange risk by achieving a balance between monetary assets and monetary liabilities in foreign currencies against

Hong Kong dollars. To reduce exposure to credit risk, the Group performs ongoing credit evaluations of the financial condition of its counterparties. To manage liquidity risk, the Group closely monitors its liquidity to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding needs.

OPERATION REVIEW

Business development

Beijing

Pursuant to the memorandum of understanding signed with Hua Xia Securities Company Limited ("HX Securities") in December 2001, the Group forms a strategic alliance with HX Securities in the PRC and is responsible for the provision of electronic Customer Relationship Management ("eCRM") solutions to HX Securities, which is the Group's first corporate user in the securities industry of the PRC. The Group expects to provide eCRM solutions to more securities companies in the PRC in 2002.

In December 2001, the Group acquired 6% interest of the issued share capital of Beijing ZYD Software Co., Ltd. ("Beijing ZYD"). Through the acquisition of Beijing ZYD, the Group can make use of Beijing ZYD's research and development centres for product development and its extensive distribution network in the PRC to sell the Group's software products. In addition, the strategic alliance with Beijing ZYD can provide potential business opportunities to the Group through the strong customer base and business connections of Beijing ZYD in the PRC.

Chengdu

To further expand the Group's business in the PRC, the fourth representative office was set up in Chengdu, the PRC in December, 2001.

Research and development

During the fiscal year of 2001, the Group conducted the following research and development activities:

- Started and completed the development of eBrokerage related to sales automation;

- Continues to develop the marketing campaign related software; and

- Continues to develop the eCRM solutions related to sales forces automation.

Strategic alliance and acquisition

As mentioned above, the Group entered into an agreement with Jiangsu Zongyi Co., Ltd. in respect of the acquisition of 6% interest in the issued share capital of Beijing ZYD (the "Acquisition") for an aggregate consideration of HK$8 million. The Directors believe that the Acquisition and strategic alliance with Beijing ZYD will achieve several business objectives of the Group at a cost lower than developing by itself alone in the PRC, which are listed below:

- Enhancement of research and development capabilities;

- Extension of the marketing and distribution network;

- Expansion of customer base; and

- Strengthening its operations in the PRC.

The unaudited profit before taxation and unaudited profit attributable to the shareholders of Beijing ZYD for the year ended 31 December 2001 as reported under the accounting principles generally accepted in the PRC amounted to approximately RMB10.2 million (approximately HK$9.6 million) and RMB6.1 million (approximately HK$5.7 million) respectively. As at 31 December 2001, the unaudited net assets of Beijing ZYD was approximately RMB17.1 million (approximately HK$16.1 million).

Save as disclosed above and other than in connection with the Reorganisation in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies in the course of the year.

Employees

During 2001, the average number of employees is 101 (2000: 98) with remuneration for the year amounting to approximately HK$11.9 million (2000: HK$11.3 million). As at 31 December 2001, the Group's total headcount is 84 employees (2000: 110). It is the Group's remuneration policies to keep the pay levels of its employees competitive and reward its employees on a performance related basis.

The Group conditionally adopted a share option scheme on 24 October 2001 and the Directors may, at their discretion, invite any employee (except part time employee who has spent less than 10 hours per week in providing services to the Group) or director of the Group and consultants of and advisors to the Group, to take up options to subscribe for shares of the Company at a price to be determined by the Board. During the year ended 31 December 2001, no option was granted under the share option scheme.

A subsidiary of the Group operates a defined benefit retirement scheme in Taiwan, (the "defined benefit scheme") which provides for retirement benefits to the eligible employees. Contributions to the defined benefit scheme are made in accordance with the recommendations of independent actuaries who prepare an independent valuation of the retirement scheme annually. The Group also participates in a Mandatory Provident Fund ("MPF"), managed by an independent approved MPF trustee, which provides for retirement benefits to all employees in Hong Kong. Pursuant to the Mandatory Provident Fund Schemes Ordinance, the minimum requirement of mandatory contributions from each of the employers and employees is calculated at 5% of the employee's basic salaries.

FUTURE PROSPECTS

In order to meet the Group's overall objectives of becoming a leading CRM software provider in the Asia Pacific region, the Group will focus on maintaining and expanding its current client base by providing comprehensive e-business solutions to different industries and enhancing the competitiveness of its products by improving existing products and developing new products. The Group also plans to increase the market penetration through the collaboration with potential IT companies and maintain our business growth through the strengthening of the research and development capabilities.

Through the acquisition of 6% interest in the issued share capital of Beijing ZYD in December 2001, the Group expects to strengthen its clientele based on the strong customer base and business connections of Beijing ZYD in the PRC. In addition, the strategic alliance with HX Securities also puts the Group in a favourable position to develop eCRM solutions for securities industries in the PRC.

As the Directors believe that continuing research and development is crucial for the Group to compete successfully in the rapidly changing IT solutions market. In January 2002, the Group obtained the business license from the Industrial and Business Bureau of the PRC Government to set up a research and development centre (the "R&D" Centre") in Nanjing, the PRC in order to enhance the Group's research and development capabilities in the

PRC, which is the major business focus of the Group in 2002. The R&D Centre will be fully operated in April 2002. As PRC becomes the largest source of revenue for the Group in 2001 which accounts for 68.9% of the Group revenue, the Group will continue to conduct market research on various parts of the PRC, identify opportunities for collaboration with potential IT companies and software vendors, and universities and consultancy firms, and expand its distribution network in the PRC.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

As at 31 December 2001, the Group had total trade receivables of approximately HK$18.9 million due from the Group's trade customers, Universal Enterprise Development Ltd. and Global Market Limited, which are companies under common control. These amounts represent the trade receivables for the sales of software products by the Group in its ordinary course of business and was unsecured and repayable with a credit term of 120 days. No collateral was required to be made by the customers and no interest is charged on such balance. These balances represented 36.7% of the Group's audited consolidated net tangible assets as at 31 December 2001.

The Group did not provide any financial assistance and guarantees to affiliated companies, which exceeded 25% of the Group's audited consolidated net tangible assets as at 31 December 2001, did not have any pledge over the Shares of the controlling shareholders to secure debts, guarantees or support of other obligations of the Group, and did not enter into any loan agreements importing specific performance obligations on the controlling shareholders. Save for the aforesaid, the directors are not aware of any circumstances, which could give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS from 26 October 2001 to 31 December 2001

The Company stated its business objectives for the period from 25 October 2001 to 31 December 2003 in the prospectus dated 30 October 2001. The actual business progress mentioned below covers the period from 26 October 2001 to 31 December 2001.

	Business objectives as disclosed in the Company's Prospectus dated 30 October 2001	Actual business progress from 26 October 2001 to 31 December 2001
A	**Brand building, marketing and distribution**	
1	Continue the brand building campaign in a view to establish "AKuP" as the leading brand in eCRM software products	The Group continued to establish "AKuP" as the leading brand in eCRM software products through the participation in various brand building campaign such as seminars, exhibitions and conferences. The Group was granted as "One of the four major 2001 events in the PRC's CRM market" by a well-known newspaper, China Information World ("CIW"), in the PRC. In addition, the Group was one of the speakers of the "CIW 2001 CRM Revision Session" held in November 2001.

2	For the Taiwan market, to continue the marketing campaigns, including advertising, organizing seminars, participating in trade shows, and to promote new products and revised versions of existing products	The Group continued the marketing campaigns through the presentation of articles in the magazines such as Hong Kong Economic Journal and websites such as CTI Forum, CEO21.org (總裁學院) and GreaterChinaCRM.org (大中華客戶關系管理組織). In addition, the Group has been nominated as an advisor of the GreaterChinaCRM.org. The Group also delivered a speech in the "CRM in Finance Forum" seminar in November 2001 and participated the "Intel Greater China eBusiness Annual Meeting" arranged by Intel Corporation in December 2001 in the PRC.
3	For the markets of Beijing, Guangzhou, Shanghai, Hong Kong and Singapore, to explore more joint marketing opportunities with multi-national IT companies and consultancy firms	
4	Set up offices in Wuhan and Chengdu, the PRC	The Group set up the fourth representative office in Chengdu, the PRC in December 2001 and will have completed the set up of the fifth representative office in Wuhan, the PRC in February 2002.
5	Set up a branch office in San Jose, the United States of America to explore market and alliance opportunities in the northern part of California, the United States of America	Due to the possible direct and indirect impacts of the alleged terrorist attacks in New York, the USA, on 11 September 2001 on the existing global political and economic conditions, the Group decided to postpone the establishment of its branch office in San Jose, the United States of America, to the 2nd half of 2002. The Directors believe that such postponement will not have any significant impact on the Group's business development.

6	Conduct market research on South Korea and, if positive, set up a branch office in Seoul, South Korea to explore market opportunities	As the results of the market research on the current market condition of South Korea is unfavourable, the Group decided to slow down the plan to set up its branch office in Seoul, South Korea and will conduct the market research again in the 2nd half of 2002.
B	**Enhancement and development of products and technology**	
1	Enhancement of existing products	
1.1	Upgrade the Group's existing products to Java based solutions to support cross computer operating systems	The Group continued to upgrade its existing products to Java based solutions to support cross computer operating systems.
1.2	Enhance the Group's existing products to support database products provided by different companies, such as International Business Machines Corporation, Oracle Corporation and Sybase Inc.	The Group continued to enhance its existing products to support database products provided by different companies.
2	Development of new products	
2.1	Develop a marketing campaign related software	The Group continued the development of the marketing campaign related software.
2.2	Develop CRM solutions which are related to sales automation	The Group completed the development of eBrokerage for sales automation in banking industries and continued the development of other CRM solutions in insurance and securities industries.
3	Strengthening research and development capabilities	

3.1	Establish a software development centre in a major city in the PRC	The Group obtained the business license to set up a research and development centre ("R&D Centre") in Nanjing, the PRC for the development of CRM solutions suitable for the PRC enterprises. The R&D Centre will be fully operated in April 2002.
C	**Strategic alliances and acquisitions**	
1	Identify potential ISP or telecommunications companies in Taiwan, Hong Kong and Singapore to explore business collaboration opportunities for the development of the ASP business	The Group is identifying potential ISP or telecommunications companies and will conduct review on suitable companies.
2	Negotiate with multi-national IT companies and software vendors to bundle the Group's software with servers or other standard software packages	The Group is negotiating with suitable multi-national IT companies and software vendors.
3	Identify potential universities and consultancy firms for collaboration on CRM training and consulting services	The Group is negotiating with a university in the PRC.
4	Identify potential IT companies with CRM technology or marketing channels for investment, acquisition or alliance purposes	The Group acquired 6% interest in the issued share capital of Beijing ZYD from Jiangsu Zongyi Co., Ltd. in December 2001.

USE OF PROCEEDS FROM THE PLACEMENT OF NEW SHARES

Upon the listing of the Company's shares on the GEM of the Stock Exchange in November 2001, the Group raised net proceeds of approximately HK$23.6 million, after deducting all relevant expenses, which is approximately HK$2.4 million less than the estimated amount as stated in the Company's prospectus dated 30 October 2001 (the "Prospectus") from the new issue of 117,000,000 shares by way of placing (the "Placing") to fund its future expansion.

During the period from 5 November (the Company's listing date) to 31 December 2001, the Group has applied approximately HK$15.5 million in accordance with the statement of business objectives as set out in the Prospectus as follows:

	Notes	Planned use of proceeds up to 31 December 2001 as set out in the Prospectus HK$'million	Actual use of proceeds HK$'million
Product enhancement	1	1	0.7
Research and development	2	1	2.4
Marketing, promotion and brand building	3	1	0.8
Business expansion**	4	8	8.0
		11	11.9
Working capital	5	—	3.6
	6	11	15.5

** Original time schedule on the intended use of proceeds for business expansion is revised from HK$2 million as set out in the Prospectus to HK$8 million as set out in the Circular dated 14 January 2002.

Reasons for difference between planned and actual use of proceeds are set out below:

1 In view of the rapid development of IT technology, the Group continued to upgrade the functions of its existing products to Java based solutions to support cross computer operating systems and to support database products provided by different companies to maintain its competitiveness in the market.

2 To cope with the increasing demand for various kinds of CRM solutions in different industries, the Group accelerated the development of new eCRM software products, which were related to marketing campaign management and sales automation to diversify the product lines and increase the market share of the Group.

3 To build up “AKuP” as a leading brand in CRM software solutions and to develop the Group’s marketing channels in the PRC, the Group incurred expenditures in marketing and promotional activities, mainly brand building campaigns and marketing campaigns.

4 Approximately HK$8 million was used to acquire 6% interest in the issued share capital of Beijing ZYD.

5 Due to the recent volatile market conditions and global economic downturn, the Group experienced price pressures on the sales orders and customers became more cautious in the purchase of eCRM software solutions. As a result, a sum of HK$3.6 million out of the remaining proceeds from the Placing was temporarily used as working capital of the Group.

6 Net proceeds received from the Placing amounted to approximately HK$23.6 million, which is approximately HK$2.4 million less than the estimated amount as stated in the Prospectus. The difference was mainly due to the under-estimation of the legal and professional fees, which were subject to final verification after the Company’s listing. The Group intends to meet the remaining funding requirement for the Company’s business plan principally through internally generated cashflows supplemented by bank financings or raising funds in the international capital and debt markets or through a combination of these methods, as considered appropriate in the circumstances.

The Board of Directors expects that the remaining proceeds from the Placing will be used for purposes as disclosed in the Prospectus. Those proceeds which are not immediately applied are placed as deposits with a bank in Hong Kong.

As at 31 December 2001, the Group had cash and bank balances of approximately HK$7.3 million, of which approximately HK$6.5 million was placed with a bank in Hong Kong. In addition, the Group had subscriptions receivable of approximately HK$0.8 million, representing the remaining proceeds from the Placing, which was subsequently received in February 2002.

AUDIT COMMITTEE

The Company established an audit committee on 24 October 2001 with written terms of reference in compliance with the requirements as set out in rules 5.23 and 5.24 of the GEM Listing Rules. The audit committee comprises two independent non-executive directors, Mr. Hsu Hsiang-Jen and Mr. Lee Mun Chee and an executive director, Mr. Hu Shin-Min, Alex and reports to the Board. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board.

The audit committee met the Group's senior management, the qualified accountant and external auditors once since its establishment for the review of the annual report of the Group before the approval by the Board.

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

During the period from 5 November 2001 (the date of listing of the Company's shares on the GEM of the Stock Exchange) to 31 December 2001, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of its listed shares.

BOARD PRACTICES AND PROCEDURES

During the period from 5 November 2001 (the date of listing of the Company's shares on the GEM of the Stock Exchange) to 31 December 2001, the Company has complied with the Board Practices and Procedures concerning the general management responsibilities of the Board as set out in rules 5.28 to 5.39 of the GEM Listing Rules.

By Order of the Board
AKuP International Holding Limited
Hu Shin-Min, Alex
President & Chief Executive Officer

Taiwan, 22 March 2002

This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

* *For identification purpose only*