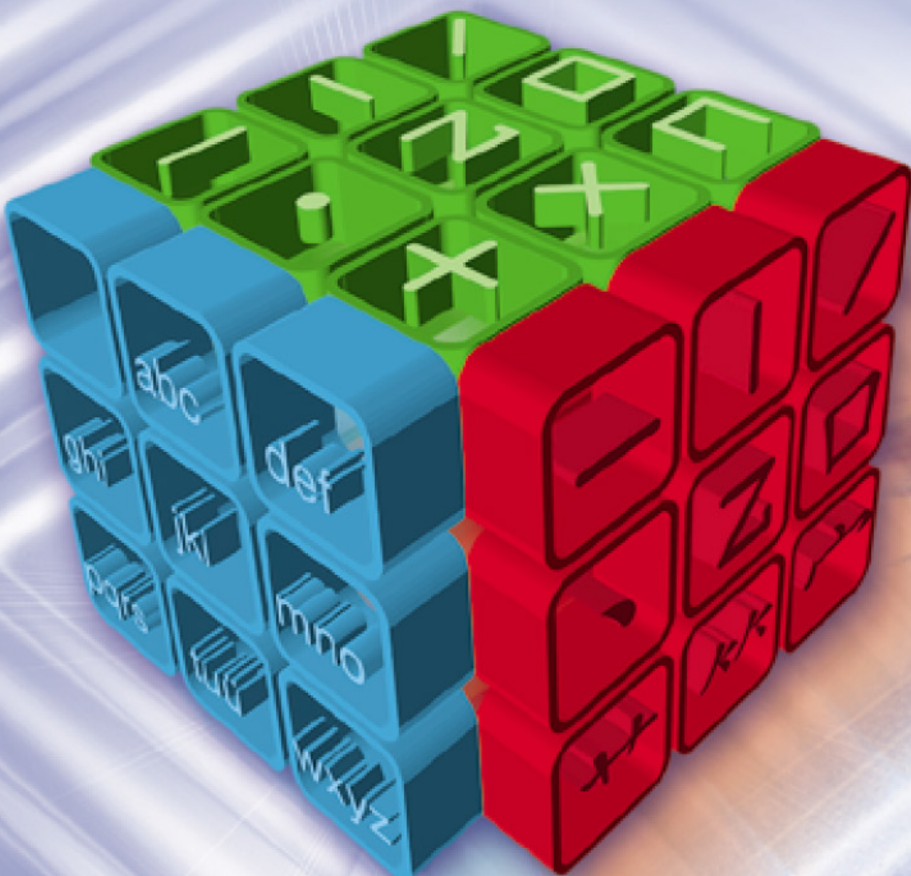
Q9 Technology Holdings Limited

(九方科技控股有限公司)*

(Incorporated in the Cayman Islands with limited liability)



2001 Annual Report

* For Identification purpose only

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. Further more, 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 of GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM listed issuers.

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Management's Discussion and Analysis

HIGHLIGHTS OF THE YEAR

— The Group launched Q9 CIS 2001, which introduced Q9 stroke input method for the first time, and was well received by the market. The Q9 CIS package sales recorded an increase of 38% from the previous year. The Group recently launched Q9 CIS 2002 (XP version), incorporating powerful features which further enhance the user friendliness and speed of the system. The Q9 CIS XP version enables typing of Chinese characters at speed comparable to full key board based Chinese input systems, but requires much less training and practice.

— Q9 CIS gained broad acceptance in Hong Kong across all age groups and all levels of society, including consumer, school and corporate markets, non-profit organisations and the Government of Hong Kong SAR. Q9 CIS was sold directly by the Group to about 500 schools and universities, over 350 corporations and non-profit organisations, and about 30 Government departments in Hong Kong.

— The Group signed licensing agreements with five PRC based mobile phone manufacturers and one of the leading international mobile phone manufacturers, and signed non-disclosure agreements with six international and seven PRC, Taiwan or Hong Kong based mobile phone manufacturers. The market launch of the Q9 CIS embedded mobile phones manufactured by TCL and Nokia have been scheduled for March and April 2002 respectively.

— The Group signed licensing agreements with two PRC based desk top phone manufacturers, and signed non-disclosure agreements with two other PRC based desk top phone manufacturers. The Q9 CIS embedded desk top short message phones, manufactured by Shenzhen Helibond Electronics Co., Ltd and Fortech Computer Systems Inc., are scheduled for market launch in March and May 2002 respectively, with total annual production volume expected to exceed 2.2 million units.

— The Group formed a subsidiary in Shenzhen, China in September 2001, and signed distribution agreements with distributors in Guangdong, the PRC, who altogether operate over 80 shops in Shenzhen, and over 200 distribution points in the Guangdong Province.

— The Group commenced the promotion of Q9 CIS to primary and secondary schools in the Guangdong Province, and installed Q9 CIS in more than 400 schools which have over 400,000 students in total, with the objective to install Q9 CIS in 5,000 schools within a year. Q9 CIS is also being considered by the Education Department of the Shandong Province for inclusion in the school curriculum.

EXECUTIVE DIRECTORS

Mr. Leung Lap Yan
Dr. Lim Yin Cheng
Mr. Tam Kam Biu William
Mr. Leung Lap Fu Warren
Mr. Lau Man Kin
Mr. Lun Pui Kan
Mr. Fung Siu To Clement
Mr. Kwan Po Lam Phileas
Mr. Tao Shi
Mr. Kwan Kin Chung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ip Chi Wai
Mr. Tse Wang Cheung Angus

COMPLIANCE OFFICER

Mr. Tam Kam Biu William

AUTHORIZED REPRESENTATIVES

Dr. Lim Yin Cheng
Mr. Tam Kam Biu William

COMPANY SECRETARY

Ms. Chiu Yuk Ching, ACIS

QUALIFIED ACCOUNTANT

Tam Kam Biu William

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

REGISTERED OFFICE

PO Box 309
Ugland House
George Town
Grand Cayman
Cayman Islands
British West Indies

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

22nd Floor, Asia Orient Tower
Town Place
33 Lockhart Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Central Registration Hong Kong Limited
Shop 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Corporate Information

LEGAL ADVISERS

as to Hong Kong law
Stephenson Harwood & Lo
18th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

as to Cayman Islands law
Maples and Calder Asia
1504 One International Finance Centre
1 Harbour View Street
Hong Kong

FINANCIAL ADVISER

Anglo Chinese Corporate Finance, Limited
40th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
673 Nathan Road
Mongkok, Kowloon
Hong Kong

The Development Bank of Singapore Limited
16/F Man Yee Building
68 Des Voeux Road Central
Hong Kong

STOCK CODE

Share	8129
Warrants	8355

WEBSITE ADDRESS

www.q9tech.com
www.qcode.com
www.qcode.com.tw

Since the first launch of Q9 CIS in September 1999, the Group made continuous improvements and enhancements to the system, through incorporation of customer's response to the product and new development by the Group's R & D department. Management of the Group believes that Q9 CIS is in advance of its competitors in terms of product features and market penetration in the end user markets. In the mobile phone OEM market, the sales and production cycle from the initial sales presentation, signing of a non-disclosure agreement for exchange of technical information, conclusion of licensing agreement, to the actual production of mobile phones has taken much longer than initially expected by management of the Group. There are many factors and considerations which the mobile phone manufacturers need to take into account before launching a new mobile phone model, which are not under the control of the Group. Despite the long sales and production cycle, the Group is making steady progress in working with different mobile phone manufacturers through to the production stage. The first Q9 CIS embedded mobile phones, namely models Nokia 9210 and TCL 999 DP, will be launched to the Hong Kong and China markets in March and April 2002 respectively. The sales and production cycle for the desk top phone manufacturers are much shorter, and two Q9 CIS embedded desk top phones, with short messages send and receive capabilities, have been scheduled for production and market launch in China in April and May 2002.

The main thrust of the Group's business strategy is to establish Q9 CIS as the standard Chinese CIS in the Greater China region, both in the end user and the OEM markets. The Group's success in penetrating the end user markets will encourage OEM manufacturers to adopt Q9 CIS, and the Group's success in engaging an increasing number of OEM manufacturers to embed Q9 CIS in their products will influence the end users' decision to adopt Q9 CIS. The ultimate goal is to establish Q9 CIS as the de facto standard in the Greater China region, whereby users will use only Q9 CIS to input Chinese characters into different types and brands of mobile phones, desk top phones, desk top and lap top computers, PDAs, and other electronic devices.

The Group has successfully engaged various Education and Government Departments in Hong Kong and China to co-promote Q9 CIS, with the objective to establish Q9 CIS as the standard in the public and education sectors. The Group also plans to create books on Q9 CIS for the school market, and to promote Q9 CIS through book and magazine market channels in Greater China, in addition to the traditional software market channels.

In the OEM market, the current marketing focus of the Group is to promote Q9 CIS to mobile and desk top phone manufacturers based in the Greater China region, and the Group is currently expanding its OEM technical sales support team in China, by recruiting competent personnel locally where the PRC based mobile and desk top phone manufacturers are located.

Despite the Group's success thus far in penetrating the market, management of the Group is fully aware that the Group has not yet achieve profitability. Management will maintain its business focus and marketing thrust in the most cost effective manner, and strive to achieve profitability and create positive values for the shareholders within the shortest time.

Chairman's Statement

Dear Shareholders,

During the past year, despite the negative impacts of an abrupt worldwide economic downturn, particularly for the IT industry, the Group recorded an increase in sales of 20.1% over last year, attributable to the launch of Q9 CIS 2001 in Hong Kong. The Group is not complacent about the competitiveness of Q9 CIS, and continue to make improvements which incorporate feedback from our customers and from our own research. As a result, we are proud to announce the launch of Q9 CIS XP version in 2002, which have removed most, if not all, of the shortcomings of previous versions. We believe Q9 CIS will become the standard Chinese CIS in the Greater China region in the foreseeable future. We will continue to maintain our business focus and progress in penetrating the markets in the Greater China region, and to establish Q9 CIS as the de facto standard for all Chinese people.

Despite the success of the Group thus far in penetrating the market, management of the Group is fully aware that the Group has not yet achieved profitability. Management will maintain its business focus and marketing thrust in the most cost effective manner, and strive to achieve profitability and create positive values for the shareholders within the shortest time.

Leung Lap Yan
Chairman

Hong Kong, 22nd March 2002

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

Below is a comparison of the actual use of proceeds and the projected use for the period ended 31st December 2001 as disclosed in the Prospectus of the Group by major items:

	Use of proceed by items	As disclosed in Prospectus	Actual in 2001
(1)	Advertising and Promotion	HK$ 3,000,000	HK$2,300,000
(2)	Establishment costs	HK$ 6,650,000	HK$2,050,000
(3)	Research & Development	HK$ 3,097,000	HK$2,815,000
	Total:	HK$12,747,000	HK$7,165,000

ESTABLISHING CLOSER RELATIONS WITH VARIOUS GOVERNMENT DEPARTMENTS IN HONG KONG

The Group made further progress in establishing closer relations with various government departments in Hong Kong. The Group gained further support from various government departments, and a number of seminars were held to introduce Q9 CIS to senior government officials responsible for IT training. Q9 CIS was sold to about 30 government departments and the Group was registered as an approved supplier with 66 government departments. The Group is currently developing a certification program in co-operation with Vocational Training Council, which will establish Q9 CIS as a standard Chinese input system in Hong Kong recognised by the employers.

ESTABLISHING DISTRIBUTION CENTRES IN SHENZHEN, GUANGZHOU AND DALIAN IN THE PRC

The Group established a subsidiary in Shenzhen and a distribution centre in Guangzhou in September 2001. The Group is still actively exploring business opportunities in Dalian, but no fixed date has yet been determined on when the distribution centre in Dalian will be established. Through the Shenzhen and Guangzhou office, the Group signed distribution agreements with a number of software distribution companies, and engaged the distribution company of the Guangzhou Daily group to market Q9 CIS. Guangzhou Daily group is one of the largest daily newspaper publishers in the PRC, which has over 200 of its own distribution outlets, including several multi-storey book centres in Guangzhou.

The Group currently plans to establish distribution centres in Beijing and Shanghai within the next few months.

ORGANISING ROAD SHOWS AND EXHIBITIONS IN THE CITIES WHERE DISTRIBUTION CENTRES WILL BE ESTABLISHED TO SUPPORT THE GROUP'S DISTRIBUTORS AND DIRECT SELLING EFFORTS

The Group organised a number of road shows in Guangzhou, Shenzhen and Beijing, and the market responses to Q9 CIS was positive and encouraging. The Group also rented exhibition booths at several key locations in Shenzhen, such as the popular book city and computer centre.

As management of the Group believes that success in penetrating the China market is critical to the success of the Group, it was decided that a major market launch in China will be delayed to April 2002, when the upgraded Q9 CIS 2002 XP version will be released. The Group is planning a major marketing campaign in preparation for the launch of Q9 CIS 2002 XP version in Hong Kong, Taiwan and China. In conjunction with the campaign, it plans to distribute a fully refundable trial version to all potential buyers. Management of the Group believes that once the potential customers have an opportunity to try the Q9 CIS 2002 XP version, most of them will purchase the product, as the value of acquiring a life time skill far exceeds the cost of the product.

ESTABLISHING CLOSER RELATIONS WITH EDUCATION DEPARTMENTS AND EDUCATIONAL INSTITUTIONS IN THE PRC AND LAUNCHING TRAINING PROGRAMMES IN THE USE OF Q9 CIS THROUGH EDUCATIONAL TELEVISION CHANNELS

The Group presented Q9 CIS in several training centres run by various government departments in the PRC, and Q9 CIS was well received by the attendees. The Education Department in Guangzhou is working with the Group to devise a master training program for the training of the school teachers, who will then in turn teach the students how to use Q9 CIS. The training programme is intended to cover the training of over 400,000 teachers in the Guangdong Province.

The Group commenced the promotion of Q9 CIS to primary and secondary schools in the Guangdong Province, and installed Q9 CIS in more than 400 schools, with the objective of installing Q9 CIS in about 5,000 schools with a total of 5 million students in a period of about one year. In co-operation with Educational Instrument and Equipment Company in Guangzhou, the Group intends to sell Q9 CIS to the students at a substantial discounts to its retail price to expedite creation of a large user base in the PRC within a short period of time.

The Group will participate in a National Exhibition on Education to be held in April 2002 in Chengdu, Sichuan, China. The China Educational Instrument and Equipment Company will share its exhibition booth with the Group and assist in introducing Q9 CIS to educators and officials from the Education Departments from all over China.

In the Shandong Province, a province with a population of about 89 million, the Education Department is currently considering the adoption of Q9 CIS in its school curriculum. Once approval has been granted by the Education Department, the Group will be formally permitted to sell Q9 CIS as well as its related course materials to over 20 million students in the Shandong Province.

CONTINUING RESEARCH AND DEVELOPMENT

The Group completed the development of Q9 2002 XP version, which was launched in the Hong Kong market in February 2002. The market launch in the PRC is scheduled in April 2002. The Q9 CIS XP version incorporates powerful features which enables the typing of Chinese characters at speeds comparable with full key board based Chinese input systems, but requiring much less training and practice.

The Group further refined the English version of Q9 CIS, and is currently filing patents on its latest version. The English version of Q9 CIS will be launched to the market, immediately following the formal filing of the patents.

The Group will continue to work with its OEM customers to define the features and user requirements on CIS for other languages, and the applicability of the matrix mapping system to different electronic devices.

SECURING FURTHER LICENSING AGREEMENTS

Although progress in securing licensing agreements with major international companies has been slower than expected, given the long sales and production cycle involved with these multinational organisations, the Group signed licensing agreements with five PRC based mobile phone manufacturers and one leading international mobile phone manufacturer, and signed non-disclosure agreements with six international and seven PRC, Taiwan or Hong Kong based mobile phone manufacturers. The market launch of the Q9 CIS embedded mobile phones manufactured by TCL and Nokia have been scheduled for March and April 2002 respectively.

The Group signed licensing agreements with two PRC based desk top phone manufacturers, and signed non-disclosure agreements with another two PRC based desk top phone manufacturers. The Q9 CIS embedded desk top short message phones, manufactured by Shenzhen Helibond Electronics Co., Ltd and Fortech Computer Systems Inc., are scheduled to be launched in March and May 2002 respectively, with total annual production volume expected to exceed 2.2 million units.

RESULTS

The consolidated turnover of the Company and its subsidiaries for the year ended 31st December 2001 amounted to HK$8,047,000, representing an increase of 20.1% from last year. Loss attributable to shareholders was HK$19,549,000, a slight increase of 2.7% over last year. The loss per share was HK$1.69 cents (2000: a loss per share of HK$1.90 cents)

REVIEW OF OPERATIONS

Despite the sharp economic slowdown in 2001, the Group's turnover recorded an increase of HK$1.35 million or an increase of 20.1% from the previous year, mainly attributable to the increase in sales of Q9 CIS software in the Hong Kong market, which increased by HK$2 million or an increase of 38% from the previous year, offset by a drop in sales of Qcode CIS and third party softwares and computer accessories.

Business Objectives and Actual Business Progress

The following represents significant events underlying the Group's performance during the financial year 2001:

— The market launch of Q9 CIS 2001 in Hong Kong, and successful market penetration of Q9 CIS into a broad spectrum of the society, covering about 500 schools, 30 government departments, and over 350 non-profit organisations and corporations, including banks, insurance companies, media companies, utility companies, technology companies, hotels, restaurants, professional firms, hospitals, churches and others. No other numeric key pad based Chinese input system has attained such a broad user base in Hong Kong. As far as management of the Group is aware, the two main competitive numeric key pad based Chinese input systems of Q9 CIS in the mobile phone industry do not yet have market presence in most of the end user markets which the Group has penetrated.

— The Group formed a wholly owned subsidiary and established an office in Shenzhen, China in September 2001, and a set up a liaison office in Guangzhou, China.

— The Group appointed the distribution company of the Guangzhou Daily group to distribute and promote Q9 CIS. Guangzhou Daily group is one of the largest media groups in China, and operates over 200 distribution outlets and chain stores in Guangzhou and other cities in the Guangdong Province.

— The Group launched a promotional license programme for the installation of Q9 CIS in computers in primary and secondary schools in China, starting with the Guangdong Province. Through the Group's distributor, Q9 CIS was recommended to the Education Department in Shandong, which is currently considering the inclusion of Q9 CIS in the curriculum of all schools in that province.

— The Group's Q9 CIS linux version was co-bundled with Chinese 2000 linux software, developed and marketed by a wholly owned subsidiary of Culturecom Holdings Ltd, which recently secured an order from the Beijing Government.

— The increase in total operating costs of HK$3.17 million over previous year was mainly attributable to increased legal, professional and financial advisory fees following listing of the Group, which amounted to an increase of approximately HK$1 million. Increased administrative expenses were mainly due to the hiring of senior management staff following listing of the Group, which amounted to an increase of approximately HK$1.5 million over 2000. The increase in research and development expenses of HK$736,000 was mainly due to subcontracted development projects, which are of non-recurring nature. During 2001, the Group's R & D efforts focused in enabling Q9 CIS to be compatible with a wide range of operating platforms and devices, including new versions of Palm, Java, Linux, and Window operating systems, and other proprietary platforms, as well as to upgrade Q9 CIS. Q9 CIS for English was also being improved, and the Group is currently filing patent for the latest completed version after which it will be ready for market release.

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— The Group does not have any borrowings as at the end of the period under review, and the Group has no material funding requirements for capital expenditure commitments, except for the pending acquisition of 51% interests in Total Element International Corporation, Taiwan. Total Element International Corporation has established relationships with software distribution companies, OEM manufacturers and the Taipei Government, and it will assist the Group in developing the end user and the OEM markets in Taiwan.

— The Group's cash and bank balance amounts to HK$46,859,000 as at the end of the period under review, and the majority of the bank balance are held as Hong Kong dollar short term deposits. The Group issued 250 million warrants to independent institutional or private investors in Feb 2002, raised net HK$5,625,000, conferring rights on the warrantholders to subscribe up to HK$31,250,000 in aggregate in cash for new shares at an initial subscription price of HK$0.125 per share (subject to adjustments).

— The Group signed licensing agreements with five PRC based mobile phone manufacturers and a leading international mobile phone manufacturer, and signed non-disclosure agreements with six international and seven PRC, Taiwan or Hong Kong based mobile phone manufacturers. The market launch of the Q9 CIS embedded mobile phones manufactured by TCL and Nokia were scheduled for March and April 2002 respectively.

— The Group signed licensing agreements with two PRC based desk top phone manufacturers and signed non-disclosure agreements with another two PRC based desk top phone manufacturers. The Q9 CIS embedded desk top short message phones, manufactured by Shenzhen Helibond Electronics Co., Ltd and Fortech Computer Systems Inc., are scheduled for market launch in March and May 2002 respectively, with total annual production volume expected to exceed 2.2 million units.

— The total number of employees of the Group at the end of December 2001 was 66, as compared to 60 employees in January 2001. During the year, 15 employees were recruited in Shenzhen and Guangzhou, China, and the number of employees in Hong Kong were reduced by 9. The Group plans to relocate its research and development department in Hong Kong to its Shenzhen office during the first half of 2002.

PROSPECTS

The focus of the Group's effort for the year 2002 is to establish Q9 CIS as the industry standard in Hong Kong, and replicate the success achieved in Hong Kong by penetrating the end user markets and OEM markets in China and Taiwan.

Business Objectives and Actual Business Progress

With the market launch of Q9 CIS XP version and Q9 CIS English version, and the first time launch of Q9 embedded mobile phones, desk top phones, and electronic dictionaries during the first half of 2002, management believes the Group will gain significant market shares in both the end user and the OEM markets in 2002 and the years ahead. The Group experienced some set backs and delays in penetrating the international mobile phone manufacturer market, due to presence of competitors who have more established relationships with the international mobile phone makers, and the resistance to change which is common in large international organisations.

Management of the Group is confident that the end users and market forces will eventually dictate which Chinese CIS will be embedded in mobile phones to satisfy the needs and demands of the end users, and Q9 CIS is definitely the best Chinese CIS available for the use in mobile phones and other handheld devices.

The convergence of PDAs and mobile phones, and the increasing popularity of SMS means that Chinese CIS will be increasingly important to the end users, who need to input increasing amount of text into these mobile devices. The Group intends to develop this potentially vast end user market in China and Taiwan with the most cost effective and results oriented marketing and sales approach, emphasing the educational features and superior product features of Q9 CIS. The Group has already made significant progress in penetrating the school market in two provinces in China, and the planned launch of Q9 CIS XP version in China in April 2002, and the formation of a Joint Venture with Zhinhwa News Agency in Beijing, China will assist the Group to promote Q9 CIS to the Government and the Education Departments at the National level.

The Group will also develop new market channels to reach more end users, such as the launch of down loadable versions of Q9 CIS for sale in web portals, the production of Q9 CIS related books for sale in the book and magazine distribution channels, and the launch of Q9 certification training programmes in conjunction with educational and training organisations.

Whilst the Group will continue its marketing efforts with the international mobile phone manufacturers, the Group will also expand its OEM sales and support team in China, targeting PRC based mobile phone and desk top phone manufacturers, whose sales and production cycle time is expected to be much shorter than those of international corporations, particularly for the desk top SMS phone makers, where Q9 CIS has distinct advantages over competitive numeric based CIS, as these customers do not have established relationships with any CIS vendor, and their main considerations in choosing a CIS is the superiority of its product features and user friendliness.

The market launch of a number of Q9 CIS embedded mobile phones, desk top phones, electronic dictionaries and PDAs in the first half of 2002 and the prospect of higher volume sales of Q9 CIS and related books and course materials to schools and other end user markets in the Greater China region, will result in a significant increase in licensing income in 2002 as compared with the year 2001. This will be a mass market in the second half of 2002.

The Group intends to enter into a share purchase agreement with its Taiwan distributor, to acquire 51% equity interest of Total Element International Corporation, whereby the Taiwan distributor of Q9 CIS will own the balance of 49% equity interests of Total Element International Corporation. Through the newly owned Taiwan subsidiary, the Group will capitalise on the local skills and talents of the Taiwanese partner to penetrate OEM manufacturers and the end user markets in Taiwan. To date, the Taiwanese distributor has signed non-disclosure agreements with two international mobile phone manufacturers in Taiwan.

The Group signed a memorandum of understanding ("MOU") with a wholly owned subsidiary of Xinhua News Agency ("Xinhua") to form a joint venture in Beijing, China, whereby the Group will own fifty one percent (51%) of the joint venture. According to the MOU, Xinhua will be responsible for introducing Q9 CIS to various Government departments, and education departments in China, and to various state owned and private business enterprises and assist in establishing Q9 CIS as a de facto Chinese input standard.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Leung Lap Yan, aged 53, is one of the founders of the Group and the chairman of the Company. He is responsible for the overall product development strategy and management of the Group. Apart from being an inventor, Mr. Leung is a well known script writer, having written such dramas as New Justice Pao, Dynasty and The Pride of Chao Zhou. From 1978 to 1980, Mr. Leung was employed as the manager of programme planning in Rediffusion Television and from 1986 to 1989 as the assistant to the controller of production in Television Broadcasts Limited. During the period 1983 to 1986 he was the director (drama) of the Singapore Broadcasting Corporation and between 1997 and 2000 served as vice president of the Hong Kong Screenwriters' Guild. In 1993 he moved to Taiwan where he developed the first version of QCode. A year later he worked together with Mr. Lau Man Kin to upgrade QCode and founded the Group with Mr. Lau Man Kin in 1995. He is the brother of Mr. Warren Leung Lap Fu.

Dr. Lim Yin Cheng, aged 57, joined the Group in January 2000 as a director. In April 2001, Dr. Lim became the chief executive officer of the Company and responsible for the overall strategic planning and management of the Group. He is the deputy chairman of Asia Standard International Group Limited, Asia Orient Holdings Limited and Asia Standard Hotel Group Limited. Dr. Lim has a doctorate degree in Philosophy from University of Washington, U.S.A. He has over twenty five years of experience in engineering, project management and administration.

Mr. William Tam Kam Biu, aged 45, joined the Group in January 2000 as a non-executive director. In August 2000, Mr. Tam became the chief financial officer and an executive director of the Company. Immediately before he joined the Group on a full time basis, Mr. Tam was the chief financial officer, company secretary and executive director of ViaGOLD Capital Limited, a company listed on the Australian Stock Exchange, which became the largest shareholder of Culturecom Holdings Limited in December 1998. Mr. Tam has remained a non-executive director of ViaGOLD Capital Limited. Mr. Tam has over eighteen years of experience in financial management and corporate finance, gained with a number of Hong Kong listed companies and international groups. Mr. Tam obtained a degree in Master of Business Administration in 1981 from York University in Toronto, Canada and become an associate member of the Hong Kong Society of Accountants in September 1987 and an associate of the Chartered Association of Certified Accountants in May 1988.

Mr. Warren Leung Lap Fu, aged 51, is responsible primarily for sales and marketing and administration of the Group, which he joined in 1996. For most of the 1970's, Mr. Leung worked for multinational companies, Wallem Ship Management Company Limited and C.N. Company, a member of the Swire group, as a marine engineer specialising in its automatic control systems projects. Between 1979 and 1981, he was a business manager with a subsidiary of the Kowloon Development Group. Thereafter he worked as a plant superintendent first with HSBC Property (Asia) Limited, then as senior engineer with the Macau Jockey Club and lastly with the Lee Garden Hotel Management Group. He has a number of engineering and technical qualifications, including being a high-tension electrical engineering worker registered by Electrical & Mechanical Services Department of Hong Kong Government. He is the brother of Mr. Leung Lap Yan.

Mr. Lau Man Kin, aged 32, is one of the founders of the Group and is responsible for research and product development. As a student, Mr. Lau won a number of computer competitions both locally and overseas. After he graduated from the University of Hong Kong in 1992 with a bachelor of science degree in computer science, he joined Compufont Limited, a subsidiary of Taiwan Dynalab Incorporation, as part of its research team developing a Chinese stroke based outline font. Later he was seconded to Microsoft's headquarters in Seattle, the United States where he contributed to the development of the Chinese true type system font for Microsoft's Windows Chinese edition. In 1994 he started his own software development company and later that year decided to co-operate with Mr. Mark Leung, which later resulted in their forming the Group in 1995. In 1999, he was awarded as one of the Ten Outstanding Young Digi Persons in Hong Kong by Hong Kong Productivity Council and Hong Kong Junior Chamber.

Mr. Lun Pui Kan, aged 38, is the finance director of Asia Standard International Group Limited and Asia Orient Holdings Limited. Mr. Lun has over fifteen year's experience in accounting and finance. He is a graduate of the University of Hong Kong where he was awarded a bachelor of science degree in engineering. He is also an associate member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants. He joined the Group in January 2000.

Mr. Clement Fung Siu To, aged 53, is the chairman of Asia Standard International Group Limited and Asia Orient Holdings Limited and director of Asia Standard Hotel Group Limited. Mr. Fung is a holder of a bachelor of applied science degree in civil engineering. He has over 20 years of experience in project management and construction. He joined the Group in November 2000.

Mr. Phileas Kwan Po Lam, aged 43, is a director of Asia Orient Holdings Limited and Asia Standard International Group Limited. Mr. Kwan has over 10 years of experience in property sales, leasing and real estate management. He holds a diploma in business. He joined the Group in April 2001.

Mr. Kwan Kin Chung, aged 32, joined Culturecom Holdings Limited as vice president in December 1998 and was responsible for the restructuring of the group businesses and corporate investment. He holds a bachelor of arts degree in economics from Zhongshan University, Guangzhou. He joined the Group in February 2001.

Mr. Tao Shi, aged 33, joined Culturecom Holdings Limited as assistant general manager in May 2000 and is responsible for its corporate investment business. Mr. Tao has extensive experience in the financial markets in China and North America. He holds a master of business administration degree from Saint Mary's University in Canada and he is also a Chartered Financial Analyst. He joined the Group in February 2001.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ip Chi Wai, aged 34, graduated from the University of Hong Kong with a bachelor's degree in law. He is a solicitor admitted in Hong Kong and is a consultant of the law firm of Chan, Lau & Wai. He has over eight years of experience in the legal profession. He was appointed as an independent non-executive director of the Company in September 2000.

Mr. Angus Tse Wang Cheung, aged 37, admitted in Hong Kong as a solicitor in 1991 and is a partner in the law firm of Desmond Wong, Angus Tse & Co. He was appointed as an independent non-executive director of the Company in September 2000.

Report of the Directors

The Directors have pleasure in submitting their Annual Report and Statement of Accounts for the year ended 31st December 2001.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 13th March 2000 under the name of Qcode Technology Holdings Limited. The name of the Company was changed to its present name on 28th August 2000. Pursuant to a group reorganisation (the "Reorganisation") 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 Company became the ultimate holding company of the subsidiaries now comprising the Group.

As part of the Reorganisation, in accordance with the terms of a sale and purchase agreement dated 7th May 2001, Q9 Technology (BVI) Limited issued 99 shares of US$1 each at par to acquire the entire issued share capital of Qcode Information Technology Limited. In addition, the Company issued 499,999,900 shares of HK$0.01 each to the shareholders of Signal Technology Limited, in consideration for the entire issued share capital of Q9 Technology (BVI) Limited and the capitalisation of a loan of HK$7,500,000 owing to Signal Technology Limited by Q9 Technology (BVI) Limited.

The basis of preparation of these accounts is set out in note 2 to the accounts.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 13 to the accounts.

RESULTS

The results of the Group for the year ended 31st December 2001 are set out in the consolidated profit and loss account on page 27.

RESERVES

Details of the movements in the reserves of the Group and the Company are set out in note 19 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 12 to the accounts.

SUBSIDIARIES

Details of the subsidiaries of the Group are set out in note 13 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 18 to the accounts.

FINANCIAL SUMMARY

A summary of the results of the Group for the last four financial years and the assets and liabilities of the Group for the last two years is set out on page 48.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2001, determined in accordance with Section 34 of the Companies Law (2001 Revision) of the Cayman Islands, amounted to approximately HK$90,158,000. The payment of a dividend and distribution out of the share premium account is however subject to a solvency test of the Company and the provisions of the Articles of Association of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the Cayman Islands in respect of the Company's share capital.

DIRECTORS

The Directors of the Company during the year were:

Executive Directors:	
Mr. Leung Lap Yan	(appointed on 18th September 2000)
Dr. Lim Yin Cheng	(appointed on 18th September 2000)
Mr. Tam Kam Biu William	(appointed on 18th September 2000)
Mr. Leung Lap Fu Warren	(appointed on 18th September 2000)
Mr. Lau Man Kin	(appointed on 18th September 2000)
Mr. Lun Pui Kan	(appointed on 18th September 2000)
Mr. Fung Siu To Clement	(appointed on 6th November 2000)
Mr. Kwan Po Lam Phileas	(appointed on 4th April 2001)
Mr. Kwan Kin Chung	(appointed on 23rd February 2001)
Mr. Tao Shi	(appointed on 23rd February 2001)
Independent Non-executive Directors:	
Mr. Ip Chi Wai	(appointed on 19th September 2000)
Mr. Tse Wang Cheung Angus	(appointed on 19th September 2000)

Report of the Directors

In accordance with Article 116 of the Company's Articles of Association, all Directors retire by rotation and, being eligible, offer themselves for re-election.

The independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Articles of Association.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of Directors are set out on pages 14 and 15.

DIRECTORS' SERVICE CONTRACTS

Each of Messrs. Leung Lap Yan, Leung Lap Fu Warren, Lau Man Kin and Tam Kam Biu William has entered into a service contract with the Group. The service contracts for Messrs. Leung Lap Yan, Lau Man Kin and Leung Lap Fu Warren are for a term of three years from 1st May 2001 while that of Mr. Tam Kam Biu William is for a term of two years from 9th August 2000. Dr. Lim Yin Cheng has entered into a letter of appointment with the Company whereby he was appointed as the chief executive officer of the Company.

None of the Directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

During the year, the Group has entered into the following connected transactions which are required to be disclosed pursuant to Chapter 20 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"):

	Notes	2001 HK$'000	2000 HK$'000
Continuing transactions			
Office and warehouse rental expenses	(i)	1,701	2,168
Building management fees	(ii)	403	436
Discontinued transactions			
Sales of software	(iii)	—	(63)
Decoration fees	(iv)	—	427
Purchases of stocks	(v)	—	240
Consultancy fees paid	(vi)	—	194

Notes:

(i) Office and warehouse rental agreements were entered into with certain subsidiaries of two substantial shareholders of the Company, and were charged based on fixed monthly fees.

(ii) Building management fees were paid to a subsidiary of a substantial shareholder of the Company and were charged at a fixed monthly rate.

In the opinion of the Directors, the continuing connected transactions set out in (i) and (ii) above were carried out in the usual and ordinary course of business, on normal commercial terms and in accordance with the terms of the underlying agreements. The Directors confirm transactions (iii) - (vi) above were discontinued after the listing of the Company's shares on the GEM.

The above transactions are also related party transactions as disclosed in note 22 to the accounts.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

(i) Shares

At 31st December 2001, the interests of the Directors and their associates in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance were as follows:

Directors	Personal interests	Family Interests	Corporate interests *(see note 1)*	Other interests	Total of shares
Leung Lap Yan	Nil	Nil	280,000,000 *(see note 2)*	Nil	280,000,000
Lau Man Kin	Nil	Nil	93,000,000	Nil	93,000,000
Leung Lap Fu, Warren	Nil	Nil	22,000,000	Nil	22,000,000

Notes:

1. These shares are held by Step Up Company Limited.
2. Mr. Leung Lap Yan has a controlling interest in Step Up Company Limited and is deemed to have interest in all the shares held by Step Up Company Limited.

Save as disclosed above, none of the Directors or their associates had, as at 31st December 2001, any interests in the shares of the Company or its associated corporations which are recorded in the register required to be kept under Section 29 of the SDI Ordinance.

(ii) Directors rights to acquire shares

Pursuant to the Pre-IPO share option scheme adopted by the Company on 5th May 2001 and the Share Option Scheme approved and adopted by the shareholders on the 7th May 2001 (the "Schemes"), the Directors may, at their discretion, invite full time or part-time employees including Directors of the Company, to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

The options granted to Directors under the Schemes shall vest and be exercisable in the following manner:

Name of Director	Number of share options and outstanding at 31st December 2001	Exercise price	Option exercise period*	Date of grant**
Dr. Lim Yin Cheng	84,480,000	HK$0.36	See note 1 below	5/5/2001
Mr. Leung Lap Yan	71,720,000	HK$0.36	See note 1 below	5/5/2001
Mr. Leung Lap Fu, Warren	14,470,000	HK$0.36	See note 2 below	5/5/2001
Mr. Lau Man Kin	13,390,000	HK$0.36	See note 1 below	5/5/2001
Mr. Tam Kam Biu, William	6,400,000	HK$0.36	See note 2 below	5/5/2001
Mr. Fung Siu To, Clement	2,560,000	HK$0.36	See note 2 below	5/5/2001
Mr. Kwan Kin Chung	1,150,000	HK$0.36	See note 2 below	5/5/2001
Mr. Tao Shi	640,000	HK$0.36	See note 2 below	5/5/2001
Mr. Kwan Po Lam, Phileas	1,000,000	HK$0.45	18/5/01 to 17/5/11	18/5/2001
Mr. Lun Pui Kan	1,920,000	HK$0.36	See note 2 below	5/5/2001
Mr. Lun Pui Kan	3,000,000	HK$0.45	18/5/01 to 17/5/11	18/5/2001

* Option period commenced from the date of grant and terminating ten years thereafter.

** Options were granted pursuant to the Pre- IPO Share Option Scheme and Share Option Scheme on 5/5/2001 and 18/5/2001 respectively.

The options may be exercised at any time within the option period provided that the options have been vested.

Note 1: Commencement date when the options shall vest and be exercisable :	Percentage of options exercisable by each grantee in respect of options granted
(a) the date falling six months from 18th May 2001	10%
(b) the date falling six months from the date in (a)	10%
(c) the date falling six months from the date in (b)	10%
(d) the date falling six months from the date in (c)	20%
(e) the date falling six months from the date in (d)	20%
(f) the date falling six months from the date in (e)	20%
(g) the date falling six months from the date in (f)	10%

Note 2: Commencement date when the options shall vest and be exercisable :	Percentage of options exercisable by each grantee in respect of options granted
(a) the date falling six months from 18th May 2001	10%
(b) the date falling six months from the date in (a)	20%
(c) the date falling six months from the date in (b)	20%
(d) the date falling six months from the date in (c)	20%
(e) the date falling six months from the date in (d)	20%
(f) the date falling six months from the date in (e)	10%

Save as disclosed above, during the year, none of the Directors or their associates was granted options to subscribe for shares of the Company.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

During the year, options to subscribe for 238,230,000 shares of HK$0.01 each at a subscription price ranging between HK$0.142 and HK$0.482 per share were granted to certain Directors and employees under the share option schemes of the Company. None of the options granted had been exercised during the year.

The average exercise price of the share options granted is above the market value of the Company's shares as at 31st December 2001 and accordingly, the Directors are of the view that the disclosure of the value of the share options granted is not meaningful.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 31st December 2001, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors.

Name of shareholder	Number of shares
Mega Fusion Limited	400,000,000
Asia Orient Holdings (BVI) Limited *(note (i))*	400,000,000
Asia Orient Holdings Limited *(note (ii))*	400,000,000
Mr. Poon Jing *(note (iii))*	400,000,000
Step Up Company Limited	280,000,000
Mr. Leung Lap Yan *(note iv))*	280,000,000
Culture.com Technology (BVI) Limited	300,000,000
Culturecom Holdings (BVI) Limited *(note (v))*	300,000,000
Culturecom Holdings Limited *(note (vi))*	300,000,000

Notes:

(i) Asia Orient Holdings (BVI) Limited is deemed to be a substantial shareholder as Mega Fusion Limited is its wholly owned subsidiary.

(ii) Asia Orient Holdings Limited is deemed to be a substantial shareholder as Asia Orient Holdings (BVI) Limited is its wholly owned subsidiary.

(iii) Mr. Poon Jing is deemed to be a substantial shareholder as he has a controlling interest in Asia Orient Holdings Limited.

(iv) Mr. Leung Lap Yan is deemed to be a substantial shareholder as he has a controlling interest in Step Up Company Limited.

(v) Culturecom Holdings (BVI) Limited is deemed to be a substantial shareholder as Culture.com Technology (BVI) Limited is its wholly owned subsidiary.

(vi) Culturecom Holdings Limited is deemed to be a substantial shareholder as Culturecom Holdings (BVI) Limited is its wholly owned subsidiary.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	29.8%
— five largest suppliers combined	80.9%
Sales	
— the largest customer	15.4%
— five largest customers combined	25.3%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

SPONSOR'S INTEREST

As updated and notified by the Company's sponsor, Anglo Chinese Corporate Finance, Limited ("Anglo Chinese"), 3,660,000 shares and 850,000 shares of the Company are held by a holding company and two directors of Anglo Chinese as at 31st December 2001. Save as disclosed above, neither Anglo Chinese nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company, including options or rights to subscribe for such securities.

Pursuant to an agreement dated 18th May 2001 entered into between the Company and Anglo Chinese, Anglo Chinese will receive a fee for acting as the Company's retained sponsor for the period from 18th May 2001 to 31st December 2003.

BOARD PRACTICES AND PROCEDURES

Since its listing on the GEM, the Company was in compliance with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

AUDIT COMMITTEE

The Committee comprises two independent non-executive Directors, namely Mr. Ip Chi Wai and Mr. Tse Wang Cheung Angus. The terms of reference of the audit committee have been established with regard to Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the Group's financial reporting process and internal control procedures. Three meetings have been held to date.

SUBSEQUENT EVENTS

Details of the significant events subsequent to the balance sheet date are set out in note 23 to the accounts.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Leung Lap Yan
Chairman

Hong Kong, 22nd March 2002

Report of the Auditors

AUDITORS' REPORT TO THE SHAREHOLDERS OF Q9 TECHNOLOGY HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 27 to 47 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2001 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22nd March 2002

Consolidated Profit and Loss Account

for the year ended 31st December 2001

	Note	2001 HK$'000	2000 HK$'000
Turnover	4	8,047	6,699
Cost of sales		(857)	(1,122)
Gross profit		7,190	5,577
Other revenues	4	1,208	244
Selling and distribution expenses		(9,323)	(9,135)
Research and development expenses		(7,353)	(6,617)
General and administrative expenses		(11,271)	(9,024)
Operating loss	5	(19,549)	(18,955)
Finance costs	6	—	(79)
Loss attributable to shareholders	8	(19,549)	(19,034)
		HK Cent	HK Cent
Loss per share	11	(1.69)	(1.90)

No statement of recognised gains and losses is presented as there are no other recognised gains or losses apart from the loss attributable to shareholders shown above.

Consolidated Balance Sheet

As at 31st December 2001

	Note	2001 HK$'000	2000 HK$'000
Fixed assets	12	2,953	2,860
Deferred expenditure	14	5,412	—
Current assets			
Inventories	15	1,047	592
Current portion of deferred expenditure		7,428	—
Accounts receivable	16	1,672	803
Deposits and prepayments		1,554	3,478
Bank balances and cash		46,859	2,768
		58,560	7,641
Current liabilities			
Accounts payable	17	819	1,164
Other payables and accruals		1,302	2,591
Amounts due to Directors		—	274
Amounts due to related companies		—	1,135
Loans from shareholders and a related company		—	17,111
		2,121	22,275
Net current assets/(liabilities)		56,439	(14,634)
		64,804	(11,774)
Financed by:			
Share capital	18	12,500	5,000
Reserves	19	52,304	(16,774)
Shareholders' funds/(capital deficiency)		64,804	(11,774)

Leung Lap Yan
Director

Tam Kam Biu, William
Director

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Balance Sheet

As at 31st December 2001

	Note	*HK$'000*
Investments in subsidiaries	13	102,268
Current assets		
Deposits and prepayments		202
Bank balances and cash		557
		759
Current liabilities		
Other payables and accruals		369
Net current assets		390
		102,658
Financed by:		
Share capital	18	12,500
Reserves	19	90,158
Shareholders' funds		102,658

Leung Lap Yan
Director

Tam Kam Biu, William
Director

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Consolidated Cash Flow Statement

for the year ended 31st December 2001

	Note	2001 HK$'000	2000 HK$'000
Net cash outflow from operating activities	20(a)	(34,518)	(16,241)
Return on investments and servicing of finance			
Interest received		896	244
Interest paid		—	(79)
Net cash inflow from returns on investments and servicing of finance		896	165
Investing activities			
Purchase of fixed assets		(1,304)	(1,546)
Sale of fixed assets		1	—
Net cash outflow from investing activities		(1,303)	(1,546)
Net cash outflow before financing		(34,925)	(17,622)
Financing			
Proceeds from issue of new shares		112,500	—
Share issue expenses		(16,373)	—
Loans from shareholders		7,500	19,611
Repayment of loans from shareholders		(24,611)	—
Net cash inflow from financing	20(b)	79,016	19,611
Increase in bank balances and cash		44,091	1,989
Bank balances and cash at 1st January		2,768	779
Bank balances and cash at 31st December		46,859	2,768

1 GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 13th March 2000 under the name of Qcode Technology Holdings Limited. The name of the Company was changed to its present name on 28th August 2000. Pursuant to a group reorganisation (the "Reorganisation") 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 Company became the ultimate holding company of the subsidiaries now comprising the Group.

As part of the Reorganisation, in accordance with the terms of a sale and purchase agreement dated 7th May 2001, Q9 Technology (BVI) Limited issued 99 shares of US$1 each at par to acquire the entire issued share capital of Qcode Information Technology Limited. In addition, the Company issued 499,999,900 shares of HK$0.01 each to the shareholders of Signal Technology Limited, in consideration for the entire issued share capital of Q9 Technology (BVI) Limited and the capitalisation of a loan of HK$7,500,000 owing to Signal Technology Limited by Q9 Technology (BVI) Limited.

2 BASIS OF PREPARATION

The Reorganisation is accounted for using the merger accounting as permitted by the Hong Kong Statement of Standard Accounting Practice 2.127 "Accounting for Group Reconstructions". The consolidated accounts of the Group for the years ended 31st December 2001 and 2000 are prepared on a basis as if the Group had been combined from the beginning of the earliest period presented.

Loans from shareholders and a related company of HK$17,111,000, as presented in the consolidated balance sheet as at 31st December 2000 was the net amount owing to them after the deduction of the HK$7,500,000 loan deemed to have been capitalised under the Reorganisation as mentioned above.

3 PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts have been prepared under the historical cost convention.

(a) Basic of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Apart from the subsidiaries acquired as part of the Reorganisation, the results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries

Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

In the event that facts and circumstances indicate that a fixed asset may be impaired, an evaluation of its recoverability would be performed. If an evaluation is required, the recoverable amount of the asset, being the higher of its net selling price and value in use, is compared to the asset's carrying amount to determine whether there is any reduction. This reduction is recognised in the profit and loss account as an impairment loss.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(d) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the first-in, first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(e) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision, if any.

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Deferred expenditure

Deferred expenditure represents amounts paid in respect of consultancy, development and marketing related services which are to be provided to the Group over a specified service period. These payments are stated at cost and are amortised on a straight-line basis over the period of the service contract.

(g) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(h) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are separately identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than 3 years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(i) Assets under operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight line basis over the period of the leases.

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences arising therefrom are dealt with as a movement in reserves.

(k) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(l) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Revenue from licensing fee income is recognised in accordance with the underlying licensing agreement, which is generally when the rights to receive payment are established.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

4 TURNOVER, REVENUES AND SEGMENT INFORMATION

The Group is principally engaged in software and embedded systems development. Revenues recognised during the year are as follows:

	2001 *HK$'000*	2000 *HK$'000*
Turnover		
Sale of goods at invoiced value, net of returns and discounts	7,790	6,699
Licensing fee income	257	—
	8,047	6,699
Other revenues		
Interest income	896	244
Others	312	—
	1,208	244
Total revenues	9,255	6,943

No business segment analysis is provided as software and embedded systems development is the Group's only business segment.

No geographic analysis is provided as less than 10% of the consolidated turnover, results and net assets of the Group are attributable to markets outside Hong Kong.

5 OPERATING LOSS

	2001 *HK$'000*	2000 *HK$'000*
Operating loss is stated after charging the following:		
Auditors' remuneration		
Current year	350	105
Underprovision in prior years	42	—
Amortisation of deferred expenditure	3,660	—
Depreciation	818	826
Directors' emoluments *(note 9)*	4,292	2,264
Loss on disposal of fixed assets	392	117
Operating lease rentals in respect of office premises	2,487	2,772
Staff costs	9,494	8,826
Compensation to a distributor	—	586

6 FINANCE COSTS

	2001 HK$'000	2000 HK$'000
Bank overdraft interest	—	79

7 TAXATION

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the year (2000: Nil).

Deferred taxation benefits/(liabilities) have not been provided in respect of the following:

	2001 HK$'000	2000 HK$'000
Taxation losses	6,237	3,206
Accelerated depreciation allowances	(145)	(186)
	6,092	3,020

8 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$826,000 (2000: HK$144,000).

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to Directors of the Company during the year are as follows:

	2001 HK$'000	2000 HK$'000
Directors' fees	—	—
Basic salaries, allowances and other benefits-in-kind	3,597	2,264
Discretionary bonuses	640	—
Contributions to retirement benefit schemes	55	—
	4,292	2,264

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Five (2000: four) executive Directors received individual emoluments for the year ended 31st December 2001 of approximately HK$1,484,000 (2000: HK$1,024,000), HK$824,000 (2000: Nil), HK$740,000 (2000: HK$200,000), HK$640,000 (2000: HK$416,000), and HK$604,000 (2000: HK$624,000) respectively.

None of the remaining Directors (including non-executive Directors) received or will receive any fees or emoluments in respect of their services to the Company for the year (2000: Nil).

During the year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

In addition to the above, the following share options, which remained unexercised at 31st December 2001, were granted to the Directors during the year:

	Exercise price per share *HK$*	Granted during the year	Exercised during the year	Outstanding at the end of the year
Mr. Leung Lap Yan	0.36	71,720,000	Nil	71,720,000
Dr. Lim Yin Cheng	0.36	84,480,000	Nil	84,480,000
Mr. Tam Kam Biu William	0.36	6,400,000	Nil	6,400,000
Mr. Leung Lap Fu Warren	0.36	14,470,000	Nil	14,470,000
Mr. Lau Man Kin	0.36	13,390,000	Nil	13,390,000
Mr. Lun Pui Kan	0.36	1,920,000	Nil	1,920,000
Mr. Lun Pui Kan	0.45	3,000,000	Nil	3,000,000
Mr. Fung Siu To Clement	0.36	2,560,000	Nil	2,560,000
Mr. Kwan Kin Chung	0.36	1,150,000	Nil	1,150,000
Mr. Kwan Po Lam Phileas	0.45	1,000,000	Nil	1,000,000
Mr. Tao Shi	0.36	640,000	Nil	640,000
		200,730,000		200,730,000

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group, including Directors are analysed as follows:

	2001 Number	2000 Number
Directors	5	3
Employees	—	2
	5	5

Details of the aggregate emoluments of the 2 highest paid employees in 2000 which individually was below HK$1,000,000, were as follows:

	2001 *HK$'000*	2000 *HK$'000*
Basic salaries, allowances and other benefits-in-kind	—	779

No emoluments of the 2 highest paid employees in 2000 were incurred as an inducement to join or upon joining the Group or as compensation for loss of office.

10 RETIREMENT BENEFITS

The Group did not provide retirement benefits to its employees prior to 1st December 2000. With effect from 1st December 2000, the Group has set up a Mandatory Provident Fund Scheme for its employees. The Group contributes 5% of the employees' relevant income each month, subject to the statutory maximum of HK$1,000 per person. Total contributions paid and payable by the Group into the scheme and charged to the profit and loss account during the year amounted to HK$464,000 (2000: HK$34,000).

11 LOSS PER SHARE

The 2001 loss per share is calculated based on the Group's loss attributable to shareholders of HK$19,549,000 and on the weighted average of 1,155,479,000 shares in issue during the year.

The 2000 loss per share was calculated based on the loss attributable to shareholders of HK$19,034,000 and on the assumption that the 500,000,000 shares issued upon establishment of the Company and as part of the Reorganisation and the 500,000,000 shares issued pursuant to the capitalisation issue had been in issue throughout the year 2000.

No diluted earnings per share is presented as the exercise of the subscription rights attached to the share options would not have a dilutive effect on the loss per share.

12 FIXED ASSETS

Group

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 1st January 2001	1,531	2,845	163	4,539
Additions	309	738	257	1,304
Disposals	(521)	(114)	—	(635)
At 31st December 2001	1,319	3,469	420	5,208
Accumulated depreciation				
At 1st January 2001	625	1,024	30	1,679
Charge for the year	231	554	33	818
Disposals	(207)	(35)	—	(242)
At 31st December 2001	649	1,543	63	2,255
Net book value				
At 31st December 2001	670	1,926	357	2,953
At 31st December 2000	906	1,821	133	2,860

13 INVESTMENTS IN SUBSIDIARIES

	HK$'000
Unlisted shares, at cost	7,501
Amounts due from subsidiaries *(note (a))*	94,767
	102,268

Notes:

(a) The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(b) The following is a list of the Group's subsidiaries as at 31st December 2001:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued and paid up/registered capital	Interest held
Directly held				
Q9 Technology (BVI) Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	100 ordinary shares of US$1 each	100%
Indirectly held				
Qcode Information Technology Limited	Hong Kong, limited liability company	Computer software development and retail in Hong Kong	500,000 ordinary shares of HK$1 each	100%
Qcode Chinese Computer Limited	Hong Kong, limited liability company	Property subleasing and holding of patents in Hong Kong	600,000 ordinary shares of HK$1 each	100%
Qcode Technology Services Limited	British Virgin Islands, limited liability company	Investment holding in Taiwan	1 ordinary share of US$1 each	100%
Q9 Technology (Shenzhen) Limited	Peoples' Republic of China ("PRC"), limited liability company	Computer software development and retail in the PRC	HK$2,000,000	100%

14 DEFERRED EXPENDITURE

	Group 2001 HK$'000	2000 HK$'000
Additions during the year	16,500	—
Amortisation	(3,660)	—
	12,840	—
Current portion included under current assets	(7,428)	—
	5,412	—

15 INVENTORIES

	Group 2001 HK$'000	2000 HK$'000
Merchandise	684	197
Finished goods	363	395
	1,047	592

16 ACCOUNTS RECEIVABLE

At 31st December 2001, the ageing analysis of the accounts receivable was as follows:

	Group 2001 HK$'000	2000 HK$'000
Current	215	174
31-90 days	132	329
91-180 days	987	94
Over 180 days	338	206
	1,672	803

The credit terms given to customers vary and are generally based on the financial strengths of individual customers.

17 ACCOUNTS PAYABLE

At 31st December 2001, the ageing analysis of the accounts payable was as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Current	**281**	658
31-90 days	**154**	222
91-180 days	**131**	125
Over 180 days	**253**	159
	819	1,164

18 SHARE CAPITAL

		Authorised	
	Note	Number of shares	Par value of HK$0.01 each HK$
Upon incorporation, shares of HK$0.1 each	(a)	3,500,000	350,000
Subdivision of share capital from HK$0.1 each to HK$0.01 each	(c)	31,500,000	—
		35,000,000	350,000
Increase of authorised share capital	(d)(i)	49,965,000,000	499,650,000
		50,000,000,000	500,000,000

		Issued and fully paid	
	Note	Number of shares	Par value of HK$0.01 each HK$
Shares allotted and issued prior to the Reorganisation	(c)	100	1
Shares issued as part of the Reorganisation	(d)(ii)	499,999,900	4,999,999
Issue of shares upon listing	(d)(iii)	250,000,000	2,500,000
Capitalisation issue	(d)(iv)	500,000,000	5,000,000
		1,250,000,000	12,500,000

18 SHARE CAPITAL *(Continued)*

The following alternations in the Company's authorised and issued share capital took place during the period from 13th March 2000 (date of incorporation) to 31st December 2001:

(a) Upon incorporation, the authorised share capital of the Company was HK$350,000 divided into 3,500,000 shares of HK$0.1 each.

(b) On 13th March 2000, 2 shares of HK$0.1 each were issued and allotted as subscriber shares upon incorporation. On 19th September 2000, 8 shares of HK$0.1 each were issued and allotted for cash.

(c) In accordance with a special resolution passed by the shareholders on 25th September 2000, the authorised share capital of the Company was subdivided into 35,000,000 shares of HK$0.01 each. The 10 shares then in issue were cancelled and 100 new shares of HK$0.01 each were issued to the then shareholders.

(d) In preparation for the listing of the Company's shares on the GEM, the following changes in the Company's authorised and issued share capital took place:

   (i) In accordance with the resolutions passed by the shareholders in an extraordinary general meeting held on 7th May 2001, the authorised share capital of the Company was increased from HK$350,000 to HK$500,000,000 by the creation of an additional 49,965,000,000 shares of HK$0.01 each.

   (ii) On 7th May 2001, the Company allotted and issued an aggregate of 499,999,900 new shares of HK$0.01 each credited as fully paid at par in consideration and in exchange for the acquisition of the entire issued share capital of Q9 Technology (BVI) Limited from Signal Technology Limited and the capitalisation of a loan of HK$7,500,000 owing to Signal Technology Limited by Q9 Technology (BVI) Limited.

   (iii) On 18th May 2001, 250,000,000 shares of HK$0.01 each were issued at a subscription price of HK$0.45 per share upon the listing of the Company's shares on the GEM. The Group raised a total proceeds, before share issue and listing expenses, of HK$112,500,000.

   (iv) Pursuant to a special resolution passed by the shareholders on 7th May 2001, a total of HK$5,000,000 of the share premium account, which arose from the share issue as set out in (iii) above, was capitalised as the share capital of the Company and 500,000,000 shares were allotted to the then existing shareholders of the Company.

(e) During the year, options to subscribe for 238,230,000 shares of HK$0.01 each at a subscription price ranging between HK$0.142 and HK$0.482 per share were granted to certain Directors and employees under the share option schemes of the Company. None of the options granted had been exercised during the year.

19 RESERVES

Group

	Share premium HK$'000	Reorganisation reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
Reserve arising from Reorganisation	—	3,000	(740)	2,260
Loss for the year retained	—	—	(19,034)	(19,034)
At 31st December 2000	—	3,000	(19,774)	(16,774)
At 1st January 2001	—	3,000	(19,774)	(16,774)
Premium on issue of shares upon listing	110,000	—	—	110,000
Share issue expenses	(16,373)	—	—	(16,373)
Capitalisation issue *(note 18 (d) (iv))*	(5,000)	—	—	(5,000)
Loss for the year retained	—	—	(19,549)	(19,549)
At 31st December 2001	88,627	3,000	(39,323)	52,304

Company

	Share premium HK$'000	Reorganisation reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
Reserve arising from Reorganisation	—	2,501	—	2,501
Premium on issue of shares upon listing	110,000	—	—	110,000
Share issue expenses	(16,373)	—	—	(16,373)
Capitalisation issue *(note 18(d)(iv))*	(5,000)	—	—	(5,000)
Loss for the period retained	—	—	(970)	(970)
At 31st December 2001	88,627	2,501	(970)	90,158

Note:

The reorganisation reserve of the Group and the Company represent the difference between the nominal value of the shares of the subsidiaries acquired plus the HK$7,500,000 loan capitalised (note 1) and the nominal value of the shares issued by the Company as the consideration thereof.

20 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating loss to net cash outflow from operating activities

	2001 *HK$'000*	2000 *HK$'000*
Loss attributable to shareholders	(19,549)	(19,034)
Interest expense	—	79
Interest income	(896)	(244)
Depreciation	818	826
Amortisation of deferred expenditure	3,660	—
Loss on disposal of fixed assets	392	117
(Increase)/decrease in inventories	(455)	102
Increase in deferred expenditure	(16,500)	—
Decrease/(increase) in accounts receivable, deposits and prepayments	1,055	(2,218)
(Decrease)/increase in accounts payable, other payables and accruals	(1,634)	3,093
(Decrease)/increase in amounts due to Directors and related companies	(1,409)	1,038
Net cash outflow from operating activities	(34,518)	(16,241)

(b) Analysis of changes in financing during the year

	Share capital including share premium		Loans from shareholders and a related company		Total	
	2001 *HK$'000*	2000 *HK$'000*	2001 *HK$'000*	2000 *HK$'000*	2001 *HK$'000*	2000 *HK$'000*
At 1st January	5,000	5,000	17,111	5,000	22,111	10,000
Net cash inflows/(outflows) from financing	96,127	—	(17,111)	19,611	79,016	19,611
Capitalisation as part of the Reorganisation	—	—	—	(7,500)	—	(7,500)
At 31st December	101,127	5,000	—	17,111	101,127	22,111

21 COMMITMENTS

(a) Capital commitments

	Group	
	2001	2000
	HK$'000	*HK$'000*
Authorised but not contracted for	**1,720**	—
Contracted but not provided for	**—**	—
	1,720	—

(b) Commitments under operating leases

At 31st December 2001, the Group had future aggregate minimum lease payments under non-cancellable operating leases which expire as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Within one year	**2,611**	1,460
In the second to fifth year inclusive	**1,962**	1,805
	4,573	3,265

(c) Other commitments

At 31st December 2001, the Group had other commitments to make payments of HK$8,000,000 in respect of consultancy, development and marketing related services to the Group.

22 RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	Note	2001 HK$'000	2000 HK$'000
Continuing transactions			
Office and warehouse rental expenses	(i)	1,701	2,168
Building management fees	(ii)	403	436
Discontinued transactions			
Sales of software		—	(63)
Decoration fees		—	427
Purchases of stocks		—	240
Consultancy fees paid		—	194

Notes:

(i) Office and warehouse rental agreements were entered into with certain subsidiaries of two substantial shareholders of the Company, and were charged based on fixed monthly fees.

(ii) Building management fees were paid to a subsidiary of a substantial shareholder of the Company and were charged at a fixed monthly rate.

23 SUBSEQUENT EVENTS

(a) On 8th February 2002, the Company placed a total of 250,000,000 warrants on the GEM to third parties. The warrant holders have the right to subscribe for shares of the Company of HK$0.01 each at an exercise price of HK$0.125 each, subject to adjustment. The subscription period commences on 8th February 2002 and will end on 7th August 2003.

(b) Pursuant to a resolution passed by the directors on 11th March 2002, the Group will enter into a joint venture agreement with a third party to further expand the Group's operations into Taiwan. The Group will invest NTD7.6 million, representing a 51% equity interest, into the joint venture company.

24 APPROVAL OF ACCOUNTS

The accounts were approved by the board of Directors on 22nd March 2002.

Financial Summary

	Year ended 31st December			
	2001	2000	1999	1998
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Results				
(Loss)/profit attributable to shareholders	**(19,549)**	(19,034)	(1,015)	1,027
Assets and liabilities				
Fixed assets	**2,953**	2,860		
Current and other assets	**63,972**	7,641		
Current liabilities	**(2,121)**	(22,275)		
Net assets less current liabilities	**64,804**	(11,774)		

Note:

The financial summary of the Group for the years 1998 to 2001 has been prepared on the basis that the group structure and business activities of the Group immediately after the completion of the Reorganisation in May 2001 had been in existence throughout the relevant years.

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NOTICE IS HEREBY GIVEN that the Annual General Meeting of Q9 Technology Holdings Limited (the "Company") will be held at 22nd Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong on Tuesday, 30th April 2002 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st December 2001;

2. To re-elect retiring directors and authorise the board of directors to fix the directors' remuneration;

3. To re-appoint auditors and authorise the board of directors to fix their remuneration; and

   As special business, to consider and, if thought fit, to pass the following resolutions as ordinary resolutions of the Company:

4. "THAT

   (a) the exercise by the directors of the Company during the Relevant Period (as defined below) all the powers of the Company to allot, issue or otherwise deal with shares of the Company ("Shares") and securities convertible into Shares or warrants or similar rights to subscribe for Shares and to make or grant offers, agreements or options (including bonds, warrants and debentures convertible into Shares) which might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) of this resolution shall authorise the directors during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

   (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the directors pursuant to the approval in paragraph (a) and (b) of this resolution, otherwise than pursuant to:

      (i) a rights issue (as defined below);

      (ii) the exercise of rights of subscription or conversion attaching to any bonus issue by the Company, or any securities which are convertible into Shares;

      (iii) the exercise of subscription or conversion right under the terms of any warrants of the Company or any option granted under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of options to subscribe for or rights to acquire Shares; and

      (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association of the Company;

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution, and the said approval shall be limited accordingly; and

(d) for the purpose of this resolution:

"Relevant Period" means the period from the date of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; and

(iii) the date on which the authority sets out for this resolution is revoked or varied by an ordinary resolution in general meeting.

"rights issue" means the allotment, issue or grant of Shares pursuant to an offer of shares open for a period fixed by the directors to holders of Shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to overseas shareholders or fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange)."

5. "THAT

(a) the exercise by the directors during the Relevant Period (as defined in paragraph (c) of this resolution) of all powers of the Company to repurchase the Shares and/or warrants of the Company listed on the Stock Exchange or on any other stock exchange on which the Company's Shares or warrants may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange or that of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of Shares or warrants of the Company to be repurchased by the Company pursuant to paragraph (a) of this resolution during the relevant period shall not exceed (i) 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution, or (ii) 10% of the aggregate amount of the outstanding warrants of the Company as at the date of passing of this resolution respectively, and the said approval shall be limited accordingly; and

(c) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or

(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

6. "**THAT** subject to the passing of resolutions no. 4 and 5 set out in the notice convening this meeting, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue or otherwise deal with Shares or securities pursuant to resolution no. 4 set out in the notice convening this meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the Shares repurchased by the Company since the granting of that general mandate."

7. "**THAT** the existing share option scheme (the "Existing Share Option Scheme") of the Company adopted pursuant to the resolution of the Company passed on 7th May 2001 be and is terminated provided that any options granted under the Existing Share Option Scheme prior to the passing of this resolution shall not, in any way, be affected or prejudiced and all such options shall continue to be valid and exercisable in accordance with the Existing Share Option Scheme."

8. "**THAT** conditional upon the GEM Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in the Shares which may fall to be issued upon the exercise of the subscription rights attaching to the options to be granted under the new share option scheme to be adopted by the Company, a copy of which is marked "A" and produced to the meeting and for the purpose of identification signed by the Chairman hereof (the "New Share Option Scheme"), the New Share Option Scheme be approved and adopted to be the share option scheme of the Company and that the directors be and are hereby authorized to grant options to subscribe for Shares under the New Share Option Scheme and to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give effect to the New Share Option Scheme."

By order of the Board
Chiu Yuk Ching
Secretary

Dated 22nd March 2002

Notice of Annual General Meeting

Principal place of business in Hong Kong:
22nd Floor, Asia Orient Tower
Town Place
33 Lockhart Road
Wanchai,
Hong Kong

Notes:

(i) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

(ii) In order to be valid, the proxy form together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's principal place of business in Hong Kong at 22nd Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the meeting or any adjourned meeting.

(iii) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(iv) A circular containing (a) an explanatory statement with further details regarding ordinary resolution no. 5 and (b) information on the New Share Option Scheme with further details regarding ordinary resolution no. 8 in both cases, as required by the Rules Governing the Listing of Securities on GEM will be despatched to the members of the Company.