

LAUNCH

深圳市元征科技股份有限公司
LAUNCH TECH COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)



2002

ANNUAL REPORT

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

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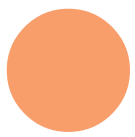
The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the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

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

CONTENTS

	<i>PAGE(S)</i>
OUR MISSION	2
CORPORATE INFORMATION	3
FINANCIAL HIGHLIGHTS	4
CHAIRMAN'S STATEMENT	6
MANAGEMENT DISCUSSION AND ANALYSIS	9
REVIEW OF BUSINESS OBJECTIVES	17
REPORT OF THE DIRECTORS	24
REPORT OF THE SUPERVISORY COMMITTEE	31
PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT	32
NOTICE OF ANNUAL GENERAL MEETING	36
REPORT OF THE AUDITORS	38
CONSOLIDATED INCOME STATEMENT	39
CONSOLIDATED BALANCE SHEET	40
BALANCE SHEET	41
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	42
CONSOLIDATED CASH FLOW STATEMENT	43
NOTES TO THE FINANCIAL STATEMENTS	45



OUR MISSION

“ With an aim to be the pioneer of the automotive aftermarket in the PRC, Launch Tech Company Limited (the “Company” or “Launch”) and its subsidiaries (the “Group”) is committed to the provision of the most superior and advanced products, technologies and services to the automobile service and manufacturing industry as well as car owners in the PRC and the world.

Capitalizing on its strong research and development team and market sensitivity, and the cost competitiveness of manufacturing in the PRC, the Group aims at being a new driving force of the world's automotive aftermarket.



CORPORATE INFORMATION

DIRECTORS OF THE COMPANY**Executive Directors**

Mr. Liu Xin (*Chairman*)

Mr. Liu Jun (*Chief executive officer*)

Professor Wang Xue Xhi

Non-executive Directors

Ms. Liu Yong

Mr. Zhang Jie

Independent Non-executive Directors

Mr. Zhang Xiao Yu

Professor Hu Zi Zheng

SUPERVISORS

Ms. Hou Wen Tao

Mr. Guo Jian Yuan

Mr. Wang Xi Lin

QUALIFIED ACCOUNTANT

Mr. Liu Chun Ming, ACCA

COMPANY SECRETARY

Mr. Liu Chun Ming, ACCA

AUDIT COMMITTEE

Mr. Zhang Xiao Yu

Professor Hu Zi Zheng

Mr. Liu Jun

COMPLIANCE OFFICER

Mr. Liu Jun

AUTHORISED REPRESENTATIVES

Mr. Liu Jun

Mr. Liu Chun Ming, ACCA

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

26th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

SPONSOR

Core Pacific – Yamaichi Capital Limited

36th Floor, Cosco Tower

New Millennium Plaza

183 Queen's Road Central

Hong Kong

LEGAL ADVISERS

As to Hong Kong law:

Woo, Kwan, Lee & Lo

27th Floor,

Jardine House

1 Connaught Place

Hong Kong

As to PRC law:

SD & Partners

19th – 20th Floors

Office Tower Block B

Saint Pavilion Hotel

No. 4002, Hua Qiang Road North

Shenzhen, the PRC

PRINCIPAL BANKERS

China Everbright Bank

Shenzhen Branch, Honglilu Sub-branch

China Minsheng Bank

Shenzhen Branch, Shangbu Sub-branch

Shenzhen Development Bank

Keji Sub-branch

Xingye Bank

Shenzhen Branch

**HONG KONG SHARE REGISTRAR
AND TRANSFER OFFICE**

Computershare Hong Kong Investor Services Limited

Rooms 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

REGISTERED OFFICE

Xin Yang Building

Bagua Number Four Road

Futian District

Shenzhen, The PRC

**PRINCIPAL PLACE OF BUSINESS
IN HONG KONG**

Flat A, 8/F

Win Base Centre

208 Queen's Road Central

Hong Kong

STOCK CODE

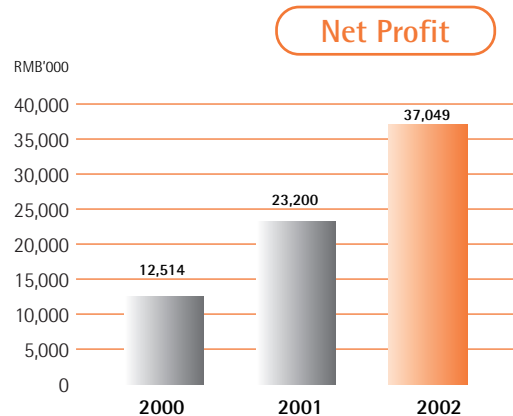
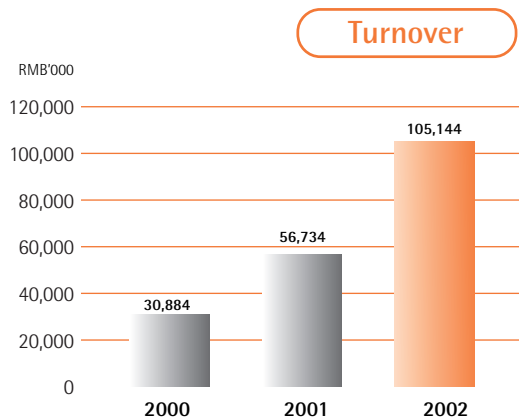
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FINANCIAL HIGHLIGHTS

	At 31 December		
	2002 RMB'000	2001 RMB'000	2000 RMB'000
ASSETS AND LIABILITIES			
Total assets	192,066	108,644	60,718
Total liabilities	(48,343)	(51,348)	(26,736)
Minority interests	(188)	(152)	-
Net assets	143,535	57,144	33,982

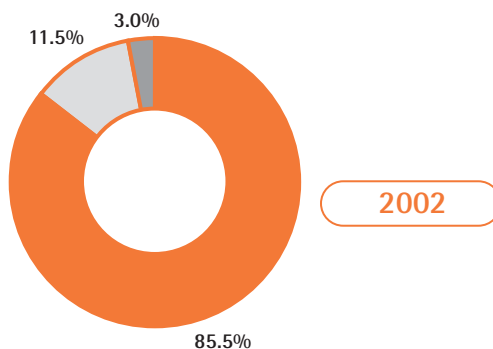
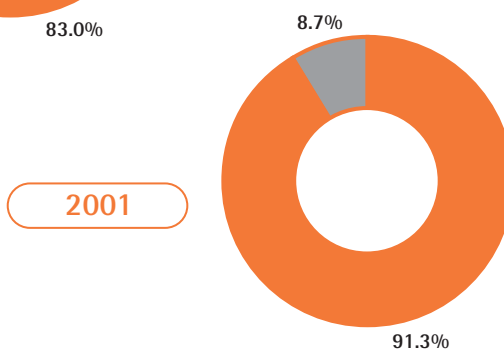
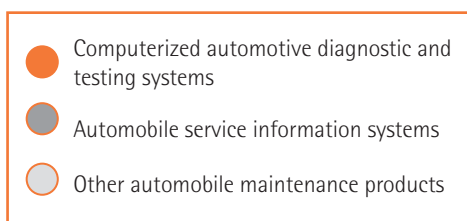
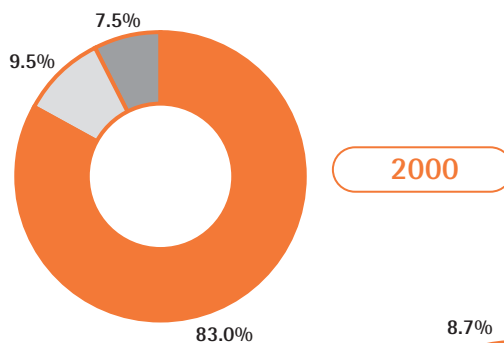
	For the year ended 31 December		
	2002 RMB'000	2001 RMB'000	2000 RMB'000
Turnover	105,144	56,734	30,884
Profit from operations	42,714	24,697	13,601
Net profit	37,049	23,200	12,514
Earnings per share – basic	0.104	0.070	0.038



Financial Highlights

For the year ended 31 December

	2002 RMB'000	2001 RMB'000	2000 RMB'000
Turnover			
Computerized automotive diagnostic and testing systems	89,932	51,792	25,646
Automobile service information systems	3,196	25	2,936
Other automobile maintenance products	12,016	4,917	2,302
	105,144	56,734	30,884





CHAIRMAN'S STATEMENT

Pioneer of automotive
aftermarket
in the PRC



Liu Xin (Louis Liu)
Chairman



- Computerized automotive diagnostic and testing systems

On behalf of the Board of Directors (the "Board"), I am pleased to present the Group's annual report for the year ended 31 December 2002 to the shareholders.

Over the past year, the Group's results were satisfactory, and the Company was successfully listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 7 October 2002. The net proceeds of approximately HK\$65.2 million were received under the placing of 110,000,000 H Shares at the placing price of HK\$0.72 per H Share.

OPERATING RESULTS

In the financial year 2002, the Group's turnover and net profit were approximately RMB105,144,000 and RMB37,049,000 respectively, representing a growth of approximately 85% and 60% respectively over the previous corresponding period. At the forthcoming annual general meeting on 7 May 2003 (Wednesday), the Board will propose a payment of dividends of RMB3 cents per share for the year ended 31 December 2002.

BUSINESS REVIEW

The Group is committed to the provision of total solutions of products and services for the automotive aftermarket. As an enterprise positioned for automobile repair and maintenance industry in the PRC and overseas, the Group provides a series of products for auto diagnosis, testing, repair and maintenance and relevant accessory products to automobile manufacturers and owners. The Group's product line includes more than 30 automobile repair and maintenance equipment and products, including hardware and software, and can be classified into computerized automotive diagnostic and testing systems, automobile service information systems and other automobile maintenance products.

In 2002, the Group's computerized automotive diagnostic and testing systems were gaining its market share in the PRC, and the overseas sales of these products also grew steadily. 431ME Electronic Eye and ADC 2000 Auto Diagnostic Computer further consolidated their position as market leader in the middle and high end computerized auto diagnostic systems in the PRC respectively, and were also among the most popular products of the Group overseas marketing. As the new generation of Electronic Eye, X431, which possesses an open automotive diagnostic platform and can operate on a multi-lingual

Chairman's Statement



- EA3000 Engine Multi-Analyser



- Automobile service information systems



- Other automobile maintenance products

environment, was marketed in the end of 2002. The Group believes that the overseas market will further accept high-end automotive diagnostic computers made in the PRC. Among the Group's automotive testing systems, EA1000 Engine Analyser and IVIEW-100 Wheel Alignment System have sustained growth in both domestic and overseas markets. By the end of 2002, the development of new generation and more powerful EA3000 Engine Analyser and Wireless Wheel Alignment System with wireless network technologies were also completed.

Automobile service information system, LAMN, is a software system featuring information management, workflow management and electronic commerce functions and developed for automobile repair and maintenance enterprises in the PRC. In early 2002, the Group launched LAMN4.2 corporate edition, applicable to medium and large automobile repair and maintenance enterprises with several branches in the PRC, and received encouraging market responses. As regards research and development, the Company focused on the development, perfection and trial operation of iLAM, LAMN's Internet version. iLAM was verified and passed by the Shenzhen Transportation Bureau in September 2002. iLAM realizes LAMN's features through its Internet technology, and generates revenue from monthly subscription fees from users through its ASP business model. By the end of 2002, the Company secured approximately 450 iLAM users in Shenzhen City.

The Group aims at offering a series of comprehensive automobile repair and maintenance equipment, including automobile cleaning equipment, machinery repair equipment, automobile repair tools and automobile electronic equipment. In 2002, the best selling other automobile maintenance products of the Group included fuel injection cleaning machine, exhaust analyser and four pillar lifter, the demands for which were mainly from overseas markets.



Chairman's Statement

PROSPECTS

We believe, as its GDP and the personal incomes growing at a consistent pace, the PRC's automobile ownerships will proceed to the stage of tremendous growth in the early decade of the 21st century, which will in turn provide golden opportunities for developing the automotive aftermarket. We anticipate an enormous demand from the automobile service industry for the Group's products. Particularly as the automobile manufacturers of the PRC will speed up the development of 4S outlets, which are one-stop shops for automobile sales, services, maintenance and spare parts, and such business will be one of the Group's main focuses for developing the PRC's automotive aftermarket.

Stepping into 2003, we have established 7 different business and production lines according to various needs of the automotive aftermarket and the features of the Group's product lines. It is the Group's key business objective in 2003 to build 4S outlets for major automobile manufacturers in the PRC and offer them total solutions including design, planning, building and equipment supply. Moreover, we hope the launch of X431 Electronic Eye will bring immense changes to the automotive aftermarket, and become a standard for global automotive diagnostic technologies. In 2003, we will capitalize on low production costs in the PRC to expand production and sales in large automobile machinery repair equipment, and expect to be a major supplier of such products in the global market in the foreseeable future. In 2003, we will apply the business model of iLAM in other PRC cities and to become a major online office and e-commerce platform for the automobile repair and maintenance industry in the PRC.

Looking ahead, the Group's management and staff will continue to serve with dedication and innovation. In striving to be the pioneer of the automotive aftermarket in the PRC, the Group will continue developing the international market upon the PRC's accession into WTO, and establish Launch as a globally known brandname in the automotive aftermarket.

Liu Xin

Chairman

Shenzhen, the PRC

24 March 2003

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Audited consolidated turnover of the Group for the year ended 31 December 2002 amounted to approximately RMB105,144,000, representing a growth of approximately 85% over 2001.

Audited profit attributable to shareholders and earnings per share of the Group for the year ended 31 December 2002 amounted to approximately RMB37,049,000 and RMB0.104 respectively. Profit attributable to shareholders grew approximately 60% compared with the previous year. The Group's financial conditions significantly improved by the completion of its product lines, the expansion of its sales network and the execution of effective market strategies, which enhanced Launch's market recognition and business development in the year.

Financial resources and liquidity

The Group adheres to a prudent financial management policy and has a healthy financial position. The Group had cash and bank balances of approximately RMB76,464,000 as at 31 December 2002.

As at 31 December 2002, shareholders' equity of the Group amounted to approximately RMB143,535,000. Current assets amounted to approximately RMB137,801,000. The Group had no long-term liabilities, and its current liabilities amounted to approximately RMB48,343,000, which comprises short term bank borrowings amount to approximately RMB20,350,000, and the remaining were mainly accounts payables and accruals. The Group's net asset value per share amounted to approximately RMB0.33. The Group's gearing ratio represented the percentage of bank borrowings over gross asset value, and was 11%.

For the year ended 31 December 2002, most of the Group's income was denominated in RMB whereas all overseas sales were settled in USD, and expenses were paid in RMB. Therefore, the Directors consider that the Group was not under substantial exchange exposure.

Employee

As at 31 December 2002, the Group had 646 and 8 employees based in the PRC and overseas respectively. Staff costs, excluding directors' and supervisors' emoluments, totaled approximately RMB13 million (2001: approximately RMB8 million). The Group remunerates employees based on their performance and experience. It has adopted a share option scheme whereby certain employees of the Group may be granted options to acquire shares. The Group also offers benefits such as professional training programs to staff to enhance their skills, knowledge and sense of loyalty.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Others

As at 31 December 2002 and 2001, the Group did not hold any material investments.

As at 31 December 2002 and 2001, apart from the pledged bank deposits of approximately RMB393,000 (2001: approximately RMB 9,469,000), the Group had no other pledged assets.

As at 31 December 2002, the Group had no material investment, other than the capital assets purchase as mentioned in the section headed "Statement of business objectives" in the Company's prospectus issued on 30 September 2002 (the "Prospectus").

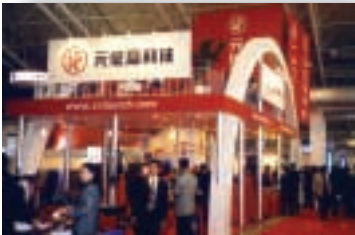
As at 31 December 2002, the Group did not have any material contingent liabilities. The guarantee of RMB 10,000,000 to a bank for the loan financing offered to an outsider on 31 December 2001 was released in 2002.

For the two years ended 31 December 2002 and 2001, the Group did not undertake any substantial acquisitions and disposal of subsidiaries and affiliated companies.

Management Discussion and Analysis

BUSINESS REVIEW

- The China 2002 International Exhibition of Automobile Repair, Equipment, Accessories and Parts



Sales

The Group recorded a satisfactory turnover of approximately RMB105,144,000 in 2002, representing a growth of 85% over 2001, mainly because the Group actively developed distributors and participated in trade exhibitions to enhance Launch's brandname recognition, and enriched its experience in marketing and efficient distribution. As at 31 December 2002, domestic sales of the Group amounted to approximately RMB90,266,000, and represented a growth of 96% as compared with 2001 and 86% of the total turnover (2001: 81%). Overseas sales of approximately RMB14,878,000 accounted for 14% of the total turnover. In 2003, the Group will more actively develop overseas markets.

Cooperation between domestic and overseas dealers

In order to increase the sales of the Group's products and expand the points of sales, the Group strived to explore its distribution channel and increase the number of distributors in 2002. The Group had established more than 10 branches in major cities and provinces in the PRC, and formed a sales service network consisting of more than 10 branches, 19 offices, 34 franchise dealers and more than 200 dealers, which efficiently improved the market share of Launch's products.

The Group also organized different kinds of promotion and marketing activities with dealers. The Group and various dealers from Beijing and Shanghai organized a series of locally influential marketing activities. In March, the Group participated in "The China 2002 International Exhibition of Automobile Repair, Equipment, Accessories and Parts" in Beijing. In July, in order to further introduce and launch the newly developed products, the Group exclusively organized "The Seventh Forum of High New Technology of the Launch Automotive Aftermarket" in Shenzhen, which attracted more than 1,000 domestic and overseas visitors.

Management Discussion and Analysis

- Automobile Industry Exhibition in Frankfurt of Germany



- CEO of Launch, Mr. Liu Jun, introduces new products at the Seventh Forum of High New Technology of the Launch Automotive Aftermarket



BUSINESS REVIEW (continued)

To equip the Group's dealers and customers with better understanding and more expertise of our products, Launch established 15 training centres in various provinces and cities in the PRC by the end of 2002, offering various regular and non-regular training courses to dealers and customers. Towards the end of 2002, the Group's periodical "Launch Members" was successfully renamed as "Automotive Aftermarket", and issued over 8,000 copies in the PRC.

Apart from cooperation with domestic and overseas dealers, the Group put much effort in developing its overseas markets. In 2002, the Group and overseas dealers participated together in the industry exhibitions in countries and regions such as Frankfurt of Germany, Las Vegas of the US, Mexico and Australia, to globally promote its business and boost the Group's image. Towards the end of 2002, the Group established 8 overseas offices or branches in Russia, South Africa, Australia, Canada, North America, Middle East, Germany, Mexico and etc., and meanwhile strengthened its cooperation with its international counterparts so as to foster the Group's development in its overseas markets.

Research and development

During the year, the Group successfully developed a new generation of automotive diagnostic system based on the Linux operating system, X431 Electronic Eye, and, on such basis, developed the multi-lingual interface applicable in most regions of the world. The Group believes that, with its open automotive diagnostic platform and advanced online automotive diagnostic software download system, X431 Electronic Eye can become a standard for the world's computerized automotive diagnostic technologies.

A new generation of Electronic Eye, X431, was introduced in small batch in the market in July 2002. It is a perfect technical achievement based on scientific automotive electronics applications and information network technology. Diagnostic software for multiple models has been developed and the multi-lingual operating system has been put in place. In terms of other diagnostic equipment, the Group has also introduced a new generation multi-function portable electronic control system testing device – 431 MK. It is able to fulfil six testing functions – defect diagnosis, 4-channel oscilloscope, multimeter function, ignition waveform test, engine performance test and injection tester.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Research and development (continued)

In terms of auto service information, the feasibility research of iLAM automobile service network management system developed by the Group for the Shenzhen Transportation Bureau has been finished in June 2002. It was verified and accepted by the Shenzhen Transport Bureau in September after test-run and adaptation, and has formally been integrated as part of the communication and information management system of the Shenzhen Transportation Bureau. In December 2002, it has passed the verification process of the development in science and technology undertaken by Shenzhen Science and Technology Bureau and is currently being utilised extensively in 450 vehicle repair and maintenance enterprises in Shenzhen. iLAM system is the first computer management system in the vehicle repair industry authorised by the transport authorities in the PRC. As the project is implemented smoothly, it serves as an extensive promotional model in Guangdong Province as well as the rest of the PRC, and is also constructive to the future development of iLAM in the PRC.

The Group has also undertaken research and implementation in 3D wheel alignment system, automobile satellite positioning, logistics and diagnostic system, and in applying Bluetooth and other wireless technologies in IVIEW-100 wheel alignment system, with tremendous progress.

To meet the demand of the customers, the Group has continued to develop new products to satisfy the needs of its customers. We have introduced the following major new products in 2002:

May 2002	Automobile fuel injection cleaning machine
May 2002	Automobile wheel alignment system
June 2002	Automobile cleaning series products
June 2002	EA 2000 and EA 3000 automobile engine multi analyser
July 2002	X431 Electronic Eye automotive diagnostic system (launched in small batch)
November 2002	Automobile braking system repairing system
December 2002	431 MK automotive diagnostic computer

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Management

In October 2002, the Company was listed on the GEM in Hong Kong. The Company strengthened management of its operations and its subsidiaries with a view to securing the Group's status as an internationally acclaimed enterprise. The Group's staff increased from 250 as at 31 December 2001 to over 600 as at 31 December 2002. The overall quality of staff substantially improved along with its growing number. The number of staff with a bachelor degree accounted for 65% of the Group's work force. Moreover, the Group recruited more than 20 staff returned from the overseas.

Since early 2002, the Company strengthened the implementation and management of ISO9001, and successfully passed the annual review. The system offered a benchmark for the R & D and production flow of various products of the Company, and formed a more complete quality management system.

PROSPECTS

2003 is an important year for the Group after its listing. Beside strengthening the Group's business development on large auto service machinery equipment, our staff will remain fully dedicated and motivated in the areas of marketing, research and development, production and management to achieve more outstanding results.

Sales and marketing

Based on its business development and the prevailing industry conditions and background over the past two years, the Group's development targets in 2003 are: to establish itself as the PRC's top brandname of the automotive aftermarket and the automobile electronics industry; to consolidate and rationalise the domestic market; to focus on promoting new products such as X431 Electronic Eye and large auto service machinery equipment; to strengthen the cooperation with domestic and overseas automobile manufacturers in respect of the establishment of 4S outlets and accessory facilities for automobile services; to expand the overseas market; to strive for the development of X431 Electronic Eye to be the standard platform of the world's automotive computer diagnostic technologies, and to establish our brandname in the international automotive aftermarket.



Management Discussion and Analysis

PROSPECTS (continued)

Management

For better standardisation, the Group's management will undertake overall review on departmental work and make adjustments to the personnel structure and job assignment within its business departments in 2003. This will, in turn, boost departmental management and work efficiency, which will lift the Group's management work toward to the standard of an international enterprise.

Research and development ("R&D")

The Group's R&D Department aims at "vision, practicality, development and innovation" to suit its objective as the pioneer of the automotive aftermarket. In the coming year, the Group will continue with its research and development of diagnostic equipment, intelligent electronic management system, and satellite positioning, logistics and diagnostic system. Besides, it will treasure opinions and meet requirements of users such as government institutions and departments and automobile manufacturers in respect of auto equipment. The Group also plans to cooperate with environmental authorities so as to formulate the R&D of specific products such as integrated automobile performance testing line.

New opportunities from the PRC's accession to WTO

Upon the PRC's entry to WTO, its automobile market and automotive aftermarket burgeon rapidly with more opportunities and challenges, and the Group will encounter new competitions. As the pioneer of the PRC's automotive aftermarket, the Group will fully capitalize on its brandname and the market position to fully develop domestic and international markets. In 2003, the Group will adopt the following development strategies:

1. the Group will strive to develop core technologies to ensure competitiveness;
2. the Group will strengthen its cooperation with domestic and overseas auto manufacturers and its expansion of the international market, and develop Launch as one of the leading international enterprises;
3. the Group will propose the programme of the establishment of automobile service and spare parts specialist chain store, and to develop into an first-rate professional franchise for automobile repair, spare parts retail and technical services in the PRC;
4. the Group will continue with its organizational reform and management upgrade, and realize highly efficient operation of its business in order to ensure its competitive edges in management strategies.

Management Discussion and Analysis

USE OF PROCEEDS

The Company was listed on the GEM on 7 October 2002 by placing 110,000,000 H Shares. Proceeds from the placing amounted to HK\$79,200,000. The proceeds after deducting relevant listing expenses as at 31 December 2002 were utilised as follows:

	Estimated amount in the Prospectus HK\$ million	Actual expenditure HK\$ million
Stengthening research and development	10.0	13.2
Developing the PRC market	1.7	3.2
Developing overseas markets	1.2	1.7

The actual use of proceeds exceeded the estimation in the Prospectus, and the resultant difference was mainly satisfied by cash flow from operating activities of the Group. The unutilised proceeds are held as short-term bank deposits. The Directors consider that the net proceeds will be sufficient for the requirement of future business objectives as stated in the Prospectus.

REVIEW OF BUSINESS OBJECTIVES

COMPARISON BETWEEN BUSINESS PLANS AND ACTUAL PROGRESS

Comparison between the Group's actual business progress up to the period ended 31 December 2002 and its various business objectives extracted from the Prospectus is as follows.

	Expected progress of projects	Actual progress of projects
1. Research and development	Development of OPADT for X431 Electronic Eye which offers different language interfaces, including Chinese, English, Russian and Arabic	Diagnostic software was developed for various models of vehicles at the end of 2002, among which some excelled their counterparts in terms of diagnostic functions. Accomplished the multilingual interfaces for the operating system, including simplified Chinese, traditional Chinese, English, French, German, Italian, Japanese, Portuguese, Polish, Russian, Spanish and Arabic. The accomplishment of multilingual operating systems will give an impetus to the development of overseas markets.
	Development of CPDA that utilises technologies previously adopted in X431 Electronic Eye	Completed the manufacture of the prototype, and conducted trial manufacture in a small batch, with commercialised production earmarked in April 2003.
	Apply Bluetooth and other wireless technologies in IVIEW-100 wheel alignment system	Completed relevant research and development to incorporate the wireless technologies. Upgraded IVIEW-100 wheel alignment system as a new product, wireless wheel alignment system KWA-501, which was intended to be put into mass production and commercialisation by mid 2003.



Review of Business Objectives

COMPARISON BETWEEN BUSINESS PLANS AND ACTUAL PROGRESS (continued)

	Expected progress of projects	Actual progress of projects
1. Research and development (Cont'd)	Research and development of 3D wheel alignment system	Completed installation and testing, and is now under commercialisation. It is intended to be launched into the market by May 2003.
	Complete R&D and trial launch of "mobile container testing line"	Three solutions were designed for the "mobile container testing line" as per various clients' needs, positioning of capacity and price comparison, and conditions of skills, synergy and supporting facilities. After various discussions and confirmation by major co-manufacturers, one of the solutions was chosen for Launch, with implementation of its overall design and loading and unloading of computer simulations. Towards the end of 2002, the master solution and related information were submitted to the Department of General Supplies of the People's Liberation Army for review.
	Conduct feasibility study on and apply iLAM technology to the development of GPS and GSM remote monitoring system	Completed feasibility research in June 2002. It was checked and accepted by the Shenzhen Transportation Bureau in September after trial run and adjustment, and was officially included in the Administration Information Management System of the Shenzhen Transportation Bureau. It was also widely utilised by approximately 450 vehicle repair corporations in Shenzhen. On 27 December 2002, the iLAM system

Review of Business Objectives

COMPARISON BETWEEN BUSINESS PLANS AND ACTUAL PROGRESS (continued)

	Expected progress of projects	Actual progress of projects
1. Research and development (Cont'd)	Conduct feasibility study on and apply iLAM technology to the development of GPS and GSM remote monitoring system (Cont'd)	passed the verification of the State Science and Technology Committee. For the shift of the iLAM system from the management mode of the fixed system of vehicle repair depots to the management mode of vehicles in operation and movement, trial runs of actual car adjustment were conducted with the iLAM technology on GPS and GSM communications systems and the functions of car reversing radar, vehicle hi-fi, central lock and anti-burglary in November 2002. The results were satisfactory.
	Conduct feasibility study on the R&D of "automobile satellite positioning, logistics and diagnostic system"	The navigation experimental satellite which this system relied on has met with the design requirements in terms of various data from the orbital testing. The space satellite, surface control centre and user terminal all worked properly. Further studies are expected on the basis of relevant data.
	Launch of iLAM version 3.0	Development of the iLAM System 3.0 Version was completed in September 2002, and has passed the verification of the Shenzhen Transportation Bureau. In December 2002, the iLAM system passed the "Technological Attainment Verification" of the Shenzhen Transportation Bureau, and has been under review for the technological advancement prize.

Review of Business Objectives

COMPARISON BETWEEN BUSINESS PLANS AND ACTUAL PROGRESS (continued)

	Expected progress of projects	Actual progress of projects
1. Research and development (Cont'd)	Launch of iLAM network system in other cities and regions in the PRC	<p>The iLAM system is the first computer management system for the vehicle repair industry recognized by transport authorities of the PRC. The successful implementation of the project has served as a model for extensive promotion in Guangdong and throughout China.</p> <p>We consider serving the transport industry as our mission, and have proactively negotiated for cooperations with more than 10 medium to large cities of the PRC. The cities that have signed letters of intent for cooperations with us include Foshan, Zhongshan, Zhuhai, Shantou, and etc., and other cities involved in negotiation included Nanchang, Changsha, Wuhan, Hangzhou and Harbin.</p>
	Research and development of iLAM iLAS service system	The development of the system was completed in September 2002.

Review of Business Objectives

COMPARISON BETWEEN BUSINESS PLANS AND ACTUAL PROGRESS (continued)

	Expected progress of projects	Actual progress of projects
2. Expansion of PRC market	Continue to expand the Launch GD programme and commence the Total Launch GD Programme by entering into arrangement with 10 operators in strategic locations in the PRC, including Shanghai, Jiangsu, Zhejiang, Anhui and Jiangxi	As at 31 December 2002, 28 new GD operators were established in the PRC, and formed a complete network capitalising on the Launch brand, which had in turn provided these new outlets with comprehensive guidance and service for the offer of excellent services to car owners. Such development in the year laid a good foundation for the future expansion of the GD Programme.
	Continue to expand the programme of Launch Franchise Dealer and enter into arrangement with 8 Launch Franchise Dealers located in strategic locations in the PRC, including Shanghai, Jiangsu, Zhejiang, Anhui and Jiangxi	As at 31 December 2002, 34 Launch Franchise Dealers were established in the PRC, and formed a complete professional sales system, which offers comprehensive quality pre-sales and after-sales services to auto repair companies.
	Enter into collaborative arrangement with reputable academic institutions in the PRC to establish 5 training centres in strategic locations in the PRC, including Shanghai, Jiangsu, Zhejiang, Anhui and Jiangxi	As at 31 December 2002, 15 training centres were established in the PRC, and formed a comprehensive training system offering excellent professional trainings to auto repair workers and technicians.
	Issue monthly "Launch Members" to 5,000 users in the PRC	In December 2002, "Launch Members" was successfully renamed as "Automotive Aftermarket", and the issue work was strengthened. In 2002, 8,000 copies were issued to users in the PRC.

Review of Business Objectives

COMPARISON BETWEEN BUSINESS PLANS AND ACTUAL PROGRESS (continued)

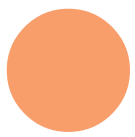
	Expected progress of projects	Actual progress of projects
2. Expansion of PRC market (Cont'd)	Participate in major trade exhibitions and forums in the PRC	In 2002, Launch participated 14 trade exhibitions in the PRC, and achieved excellent results through organization of various promotional activities. These, in turn, raised the brand awareness and reputation of Launch.
	Invite dealers or distributors to participate in annual trade fair organised by the Company with an aim to promote the latest products and services	In July 2002, Launch exclusively organized "The Seventh Forum of the High New Technology of the Launch Automotive Aftermarket" in Shenzhen, which attracted more than 1,000 visitors. In the forum, a series of technology seminars were conducted and more than 10 models of new products were displayed, including X431 Electronic Eye. Customer training activities were also organized. The annual trade fair was attended by more than 200 dealers from various regions of the PRC.
	Advertise in trade journal, magazines and press to promote corporate and product brandname	Established a good relationship with professional media and some mass media of the PRC, and long term advertising and news cooperation with six professional media in the PRC.



Review of Business Objectives

COMPARISON BETWEEN BUSINESS PLANS AND ACTUAL PROGRESS (continued)

	Expected progress of projects	Actual progress of projects
3. Expansion of overseas markets	Continue to expand the Launch GD programme and commence the overseas Launch GD programme by entering into arrangement with 2 overseas operators in strategic locations, including Russia and South Africa	According to this programme, Launch offices were set up in Moscow, Russia. Launch also proactively expanded its market, sought important business partners, and commenced the overseas Launch GD programme. Meanwhile the South Africa dealer of Launch started preparation for the overseas Launch GD programme by selecting customers and positioning its products.
	Expand distribution network by entering into arrangement with 5 Launch Franchise Dealers located in strategic overseas locations, including Russia and South Africa	Set up offices or companies in Russia, Germany, Australia, Middle East and Canada, and negotiated with major clients on the establishment of Launch Franchise Dealers. Launch also put much effort on development of its own distribution network.
	Participate in major overseas trade exhibitions and forums in Europe, the US, Asia and countries which the Company intends to explore	Participated in trade exhibitions in countries and areas like Frankfurt of Germany, Las Vegas of the US, Mexico and Australia to globally promote its business, publicise the Launch image, and market the Launch products. Moreover, Launch improved its products constantly and perfected the quality of its products by making reference to the product of other competitors, so as to meet the prevailing international standard.



REPORT OF THE DIRECTORS

The Directors present their first annual report and the audited financial statements of the Company for the year ended 31 December 2002.

TRANSFORMATION AND LISTING

深圳市元征計算機有限公司（formerly 深圳元征計算機有限公司）(the "Predecessor") was established in Shenzhen, the People's of China (the "PRC") on 27 July 1993 as a limited liability company. The Company was established in Shenzhen, the PRC on 1 June 2001 as a joint stock limited company by way of transformation of the Predecessor.

On 5 June 2002, the China Securities Regulatory Commission issued an approval approving the Company to issue overseas listed foreign invested shares ("H Shares") and authorising the Company to apply for the listing of the Company's H Shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's H Shares were listed on the GEM of the Stock Exchange on 7 October 2002.

PRINCIPAL ACTIVITIES

The Company is engaged in the provision of products and services serving the automotive aftermarket and the automobile industry in the PRC and certain overseas countries. The principal activities of its subsidiaries are set out in note 13 to the financial statements.

RESULTS AND APPROPRIATIONS

Details of the results of the Group and appropriations of the Company for the year are set out in the consolidated income statement on page 39 and the accompanying notes to the financial statements.

An interim dividend of RMB7,400,000 was paid during the year. The Directors recommend the payment of a final dividend of RMB3 cents per Share to the shareholders on the register of members on 10 June 2003 amounting to approximately RMB13,200,000 and the retention of the remaining profit for the year of RMB32,077,000.

SHARE CAPITAL

Details of movements during the year in the registered and issued share capital of the Company are set out in note 25 to the financial statements.

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group expended an aggregate of approximately RMB15 million on property, plant and equipment, which mainly comprised the leasehold improvements for the Group's land and building at Guilin, the PRC and the acquisition of moulds and equipment. Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in note 10 to the financial statements.

REVALUED ASSETS

In the Prospectus, the Company included a valuation of its property at approximately RMB20 million, which valuation has not been incorporated in the financial statements for the year ended 31 December 2002. The property has been included in the balance sheet at 31 December 2002 at approximately RMB12 million, being its historical cost less accumulated depreciation and amortisation. Had the property been stated at its revalued amount in the financial statements, additional depreciation and amortisation of approximately RMB0.5 million would have been charged against the income statement.

DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Liu Xin (Chairman)

Mr. Liu Jun (Chief Executive Officer)

Mr. Wang Xue Zhi

Non-executive directors:

Ms. Liu Yong

Mr. Zhang Jie

Independent non-executive directors:

Mr. Zhang Xiao Yu

(appointed on 21 March 2002)

Mr. Hu Zi Zheng

(appointed on 21 March 2002)

Report of the Directors

DIRECTORS AND SUPERVISORS (continued)

Supervisors:

Ms. Hou Wen Tao	(appointed on 21 March 2002)
Mr. Guo Jian Yuan	(appointed on 21 March 2002)
Mr. Wang Xi Lin	(appointed on 21 March 2002)
Ms. Huang Zhao Huan	(resigned on 21 March 2002)
Ms. Wang Xue Lu	(resigned on 21 March 2002)
Mr. Wei Ke Qin	(resigned on 21 March 2002)

All Directors and Supervisors have entered into service contracts with the Company during the year for a term of three years.

In accordance with the provisions of the Company's Articles of Association, the term of office of the Directors shall be three years commencing from the date of appointment or re-election and renewable upon re-appointment or re-election. In accordance with the provisions of the Company's Articles of Association and the PRC Company Law, the term of office of supervisors shall also be three years and renewable upon re-appointment or re-election.

None of the Directors or Supervisors has a service contract with the Company which is not determinable by the Company within one year with payment of compensation, other than statutory compensation.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 31 December 2002, the interests of directors, supervisors and chief executives and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance of Hong Kong (the "SDI Ordinance") were as follows:

Name of director	Number of Domestic Shares held	
	Personal interest	Corporate interest
Mr. Liu Xin	132,000,000	119,625,000 (note 1)
Mr. Liu Jun	-	119,625,000 (note 2)
Mr. Wang Xue Zhi	9,636,000	-
Ms. Liu Yong	-	49,500,000 (note 3)
Mr. Zhang Jie	-	19,239,000 (note 4)

Report of the Directors

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (continued)

Notes:

- (1) Mr. Liu Xin holds 60% interest in 深圳市浪曲科技開發有限公司 ("Shenzhen Langqu") which holds approximately 27.19% interest in the Company. The corporate interest of Mr. Liu Xin in the Company duplicates with that held by Mr. Liu Jun in the Company. By virtue of Mr. Liu Xin's holding more than one-third interest in Shenzhen Langqu, Mr. Liu Xin is deemed, under the SDI Ordinance, to be interested in approximately 27.19% interest in the Company apart from his personal interest of 30% interest in the Company. Mr. Liu Xin is the brother of Mr. Liu Jun and Ms. Liu Yong.
- (2) Mr. Liu Jun holds 40% interest in Shenzhen Langqu which holds approximately 27.19% interest in the Company. The corporate interest of Mr. Liu Jun in the Company duplicates with that held by Mr. Liu Xin in the Company. By virtue of Mr. Liu Jun's holding more than one-third interest in Shenzhen Langqu which holds approximately 27.19% interest in the Company, Mr. Liu Jun is deemed, under the SDI Ordinance, to be interested in approximately 27.19% interest in the Company. Mr. Liu Jun is the brother of Mr. Liu Xin and Ms. Liu Yong.
- (3) Ms. Liu Yong holds 60% interest in 深圳市得時域投資有限公司 ("Shenzhen De Shi Yu") which holds 11.25% interest in the Company. By virtue of Ms. Liu Yong's holding more than one-third interest in Shenzhen De Shi Yu, Ms. Liu Yong is deemed, under the SDI Ordinance, to be interested in 11.25% interest in the Company. Ms. Liu Yong is the sister of Mr. Liu Xin and Mr. Liu Jun.
- (4) Mr. Zhang Jie holds 75% interest in 深圳市杰欣科技發展有限公司 ("Shenzhen Jie Xin") which holds approximately 4.37% interest in the Company. By virtue of Mr. Zhang Jie's holding more than one-third interest in Shenzhen Jie Xin, Mr. Zhang Jie is deemed, under the SDI Ordinance, to be interested in approximately 4.37% interest in the Company.

Save as disclosed above, at 31 December 2002, none of the directors, supervisors or chief executives or any of their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of the Directors, Supervisors, and chief executives, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31 December 2002.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 32 to the financial statements.

No option was granted by the Company under the share option scheme since its adoption.

Report of the Directors

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the Directors, supervisors nor chief executives, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

During the year ended 31 December 2002, the Group had the following transactions with connected parties as defined in the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

Pursuant to an agreement dated 13 December 2002 entered into between the Company and Shenzhen De Shi Yu, Shenzhen De Shi Yu agreed to provide a guarantee to a bank amounting to RMB15,000,000, at no cost and without interest or security from the Company, to secure the loan facilities of RMB15,000,000 granted to the Company. The guarantee is effective from 16 December 2002 and will be terminated upon full repayment of the relevant bank loan. Shenzhen De Shi Yu is a company which holds 11.25% interest in the Company and Ms. Liu Yong, a Director, has beneficial interests. Details of this arrangement are set out in the announcement dated 27 December 2002 issued by the Company.

Save as disclosed above, no contracts of significance to which the Company or any of its 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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest customers was approximately 37% of the Group's total turnover and the Group's largest customer accounted for approximately 19% of the Group's turnover.

The aggregate purchases during the year attributable to the Group's five largest suppliers was approximately 42% of the Group's total purchases and the Group's largest supplier accounted for approximately 13% of the Group's total purchases.

None of the directors, supervisors, their associates or any shareholder of the Company (which to the knowledge of the directors and supervisors own more than 5% of the Company's issued share capital) had any interest in any of the five largest customers or suppliers of the Group.

Report of the Directors

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Articles of Association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules during the period between the listing of its H Shares on 7 October 2002 to 31 December 2002.

An audit committee was established on 21 March 2002 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises the two independent non-executive directors, Mr. Zhang Xiao Yu and Mr. Hu Zi Zheng, and one executive director, Mr. Liu Jun.

One audit committee meeting was held since its establishment to 31 December 2002 to perform the following duties:

- review the third quarterly report of the Company;
- review and supervise the internal control system of the Group.

COMPETING INTERESTS

None of the directors or the management shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause significant competition with the business of the Group.

Report of the Directors

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, Core Pacific – Yamaichi Capital Limited ("CPY Capital"), neither CPY Capital nor its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 31 December 2002.

CPY Capital has entered into a sponsor agreement with the Company whereby, for a fee, CPY Capital will act as the Company's retained sponsor for the purpose of Chapter 6 of the GEM Listing Rules for the remaining period up to 31 December 2004 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Liu Xin

CHAIRMAN

Shenzhen, the PRC

24 March 2003

REPORT OF THE SUPERVISORY COMMITTEE

To: All Shareholders

During the year ended 31 December 2002, the Supervisory Committee of Launch Tech Company Limited has complied with the Company Law of the PRC and requirements of the relevant laws and regulations of Hong Kong and the Articles of Association of the Company, exercised conscientiously its authority, safeguarded the interests of the shareholders and the Company, followed the principle of honesty and trustworthiness and worked cautiously and diligently.

During the year, we carefully reviewed the use of the proceeds raised in strict compliance with the plan of use of proceeds disclosed in the Prospectus and provided reasonable suggestions and advice on the operations and development plans to the Board and strictly and effectively monitored whether the policies and decisions made had conformed with the state laws and regulations and the Articles of Association of the Company or safeguarded the interests of the shareholders.

After investigation, we consider that the financial statements of the Company, audited by Deloitte Touche Tohmatsu, truly and sufficiently reflect the operating results and asset positions of the Company. We also reviewed the Report of the Directors and the profit distribution proposal. We consider that the above report and proposal meet the requirements of the relevant regulations and associations of the Company. We have attended the meeting of the Board of Directors. We consider that the members of the Board of Directors, the chief executive and other officers have strictly complied with the principle of honesty and trustworthiness, worked diligently and sincerely acted in the best interests of the Company. Up to now, none of the Directors, chief executive and other officers have abused their powers, caused damages to the interests of the Company and infringed upon the interests of the Company and its staff, nor have they violated any laws, regulations or the Company's Articles of Association.

We are satisfied with the various tasks achieved in the year 2002 as well as the cost-effectiveness gained, and are confident about the prospects of future development of the Company.

On behalf of the Supervisory Committee

Hou Wen Tao

Chairwoman of the Supervisory Committee

Shenzhen, the PRC

24 March 2003

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Liu Xin (劉新), also known as **Liu Yi Zhi (劉易之)**, aged 34, is an executive Director and the chairman of the Company. Mr. Liu is the founder of the Company and has around 10 years of experience in corporate management, business development, product development and marketing in the computer and automotive diagnostic and testing industries. He is a graduate of Chengdu Technology University (成都科技大學) (currently known as Sichuan University (四川大學)) with a bachelor's degree in applied physics. Mr. Liu is mainly responsible for the strategic planning, overall management, establishment of strategic alliances and development of overseas marketing and sales channel. Mr. Liu Xin is the brother of Mr. Liu Jun and Ms. Liu Yong.

Mr. Liu Jun (劉均), also known as **Liu Zheng Zhi (劉正之)**, aged 32, is an executive Director and the chief executive officer of the Company. Mr. Liu is the co-founder of the Company and is the brother of Mr. Liu Xin and Ms. Liu Yong. Mr. Liu has around 10 years of experience in corporate management, business development and product development in automotive diagnostic and testing industries. He is a graduate of Tsinghua University (清華大學) with a bachelor's degree in radio electronics engineering. Mr. Liu once served as the head of the Company's R&D department and headed the development of the first generation of Electronic Eye in November 1994, and was honoured as one of the Shenzhen Ten Outstanding Young Technology Experts in 1998 (1998年深圳市青年科技專家). He is currently responsible for the day-to-day operations of Company, and also supervises the Company's R&D and finance.

Professor Wang Xue Zhi (王學志), aged 66, is an executive Director and chief engineer of the Company. Professor Wang is an expert in automotive diagnostic and testing engineering with approximately 30 years of experience in related studies and research works, and has published 20 related books and academic papers. Prior to joining the Company in May 1998, Professor Wang served as a professor of Xian Highway Transportation Institute (西安公路交通大學) (currently known as Changan University (長安大學)) and the vice principal of the board of experts of the State Automobile Maintenance and Repair Industry Association under the Ministry of Transportation (交通部屬下《中國汽車保修設備行業協會》). He heads the Company's overall product development, and was responsible for leading the development of IVEW-100 wheel alignment system and other similar large-scale automotive diagnostic and testing systems.

Non-executive Directors

Ms. Liu Yong (劉庸), aged 40, is a non-executive Director since June 1997, and is the sister of Mr. Liu Xin and Mr. Liu Jun. Ms. Liu once studied in Dalian Foreign Language Institute (大連外國語學院), and served in the sales department and public relations department of Gulin Holidays Inn (桂林賓館) and Gulin Rong Hu Hotel (桂林榕湖飯店), respectively, and as the general manager of Sunshine Travel Agency (陽光旅行社). Ms. Liu has extensive experience in corporate management, sales and marketing and public relations management. She is currently a director of Shenzhen De Shi Yu.

Profile of Directors, Supervisors and Senior Management

Mr. Zhang Jie (張杰), aged 42, is a non-executive Director since November 2000. Mr. Zhang is currently the chairman of Shenzhen Jie Xiu, a private investor of high-tech related projects in the PRC, and is responsible for its day-to-day management.

Independent non-executive Directors

Mr. Zhang Xiao Yu (張小虞), aged 58, is an independent non-executive Director since March 2002. Mr. Zhang is the vice-chairman of China Machinery Industrial Association since April 2001, and prior to April 2001, he served as the vice commissioner of the State Machinery Industry Bureau (國家機械工業局), the chief of Automobile Industry Division (汽車工業司) of the Ministry of Machinery Industry (機械工業部).

Mr. Hu Zi Zheng (胡子正), aged 65, is an independent non-executive Director since March 2002. Mr. Hu is currently the professor and doctoral student mentor of automotive studies of the school of mechanics at Jilin Industrial University (吉林工業大學). Mr. Hu is also the appointed specialist of China Automobile Engineering Association (中國汽車工程學會) and member of the board of editors of "Mechanical Engineering Paper" (機械工程學報). He also served as the vice principal of the State Key Laboratory of Dynamic Automotive Simulation (模擬國家重點實驗室學術委員會) and dean of automotive school at the Jilin Industrial University. Mr. Hu graduated from the Jilin Industrial University with a degree in automobile engineering, and has around 30 years of experience in automotive science research and teaching.

MEMBERS OF SUPERVISORY COMMITTEE

Supervisory committee in the PRC has similar functions as audit committee, which mainly reviews the financial results of the Company and the decisions made by the Board. Supervisors can represent the interest of shareholders or employees, and independent supervisors are recruited from outside and not related to any of the directors, supervisors, promoters and employees of the Company. Mr. Wang Xi Lin is appointed as a Supervisor through the recommendation of the Company's employees. Ms. Hou Wen Tao and Mr. Guo Jian Yuan are appointed as independent Supervisors.

Ms. Hou Wen Tao (侯文濤), aged 63, is a Supervisor since March 2002. Ms. Hou retired from the Shenzhen Science and Technology Bureau (深圳市科學技術局) since August 2001, where she served as its vice commissioner, vice principal and inspector since 1991. Prior to July 1986, she served as a senior engineer at the Changchun Applied Chemistry Research Institute of the China Science Academy (中國科學學院長春應用化學研究所) and a visiting scholar of Proyaume de Belgique in Belgium between April 1981 and February 1982. Ms. Hou obtained a bachelor's degree in atomic physics from Jilin University (吉林大學).

Profile of Directors, Supervisors and Senior Management

Mr. Guo Jian Yuan (郭健源), aged 55, is a Supervisor since March 2002. Mr. Guo is currently the chairman of Shenzhen Cosber Industrial Co., Ltd. (深圳市康士柏實業有限公司), a distributor of automobile maintenance equipment in the PRC, vice-chairman of China Automobile Maintenance and Repair Equipment Industry Association (中國汽車保修設備行業協會) and chairman of Shenzhen Automobile and Motorcycle Maintenance and Repair Industry Association (深圳市汽車摩托車維修行業協會), in charge of their overall management. He also served as the director and president of Shenzhen Tellus Holding Co., Ltd. (深圳市特力(集團)股份有限公司), a developer of mechanical tools in the PRC, in charge of their overall management. Mr. Guo has extensive experience in corporate management.

Mr. Wang Xi Lin (王希琳), aged 39, is the vice controller of the Company's R&D department and a Supervisor since March 2002. Mr. Wang graduated from the China Mining Industry University (中國礦業大學) in Beijing with a master's degree in engineering. Prior to joining the Company in October 2000, Mr. Wang served as a senior engineer at several state-owned companies and led the R&D works in relation to large electronic control and electronic automation systems. Mr. Wang is responsible for supervising all R&D projects of the Company, and had successfully led the development of the ADC2000 auto diagnostic computer.

SENIOR MANAGEMENT

Ms. Huang Zhao Huan (黃兆歡), aged 30, is the vice controller of the Company's marketing department. Ms. Huang is a graduate of Nanchong Teaching University (南充師範學院) with a bachelor's degree in mathematics. She is currently responsible for the development and management of the Company's domestic sales network and marketing activities and customer relationships of its major customers. She joined the Company in 1996.

Mr. Hu Kai (胡凱), aged 29, is the vice controller of the Company's production department. Mr. Hu has a degree in economic management for Guangxi Teaching University (廣西師範大學) and joined the Company as a manager of purchase division in 1995. He is mainly responsible for overseeing the Company's production planning and management.

Mr. Mou Jian (牟健), aged 45, is the manager of the Company's personnel department and secretary of the Board. Mr. Mou graduated from Dalian Marine College (大連海運學院) with a bachelor's degree. Prior to joining the Company in March 2001, he served as an assistant to general manager and director of safety at Shekou Shipping and Transportation Company Limited. Mr. Mou is mainly responsible for managing the Company's human resources.

Profile of Directors, Supervisors and Senior Management

Qualified Accountant and Company Secretary

Mr. Liu Chun Ming (廖俊明), aged 27, is the financial controller and company secretary of the Company. Mr. Liu is a qualified accountant and obtained a bachelor's degree (Honours) in accountancy from the City University of Hong Kong in 1997. He is an associate member of the Association of Chartered Certified Accountants, and, prior to joining the Company in March 2002, acquired over four years of experience with an international audit firm.

Compliance Officer

Mr. Liu Jun (劉均), executive Director, compliance officer and authorised representative. Mr. Liu will be advising on and assisting the Board in implementing procedures to ensure that the Company complies with the GEM Listing Rules and other relevant laws and regulations applicable to the Company and responding efficiently to all inquiries directed to the Company by the Stock Exchange.

AUDIT COMMITTEE

The audit committee was established by the Company on 21 March 2002, with written terms of reference in compliance with the requirements as set out in Rules 5.23 to 5.25 of the GEM Listing Rules. The principal duties of the committee are the review and supervision of the Company's reporting process and internal control. The Group's audit committee has held one meeting since its establishment. The members of the audit committee are as follows:

Name	Position in the audit committee	Position in the Board
Mr. Zhang Xiao Yu	chairman	independent non-executive Director
Mr. Hu Zi Zheng	member	independent non-executive Director
Mr. Liu Jun	member	executive Director



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Launch Tech Company Limited (the "Company") will be held at the conference room, 3rd Floor, Southern Garden Hotel, 22 Bagua Number Four Road, Futian District, Shenzhen, the PRC at 10:00 a.m. on 7 May 2003 (Wednesday) for the following purposes:

- I. To pass the following matters as ordinary resolutions:
 1. To consider and pass the report of the Directors for the year 2002;
 2. To consider and pass the report of the supervisory committee for the year 2002;
 3. To consider and pass the audited consolidated financial statements of the Company and its subsidiaries for the year 2002;
 4. To consider and pass the resolution of final dividend distribution for the year 2002;
 5. To consider and pass the resolution for making allotments of legal pension fund and legal social benefits for the year 2002;
 6. To consider and pass plans to re-appoint Deloitte Touche Tohmatsu as auditors of the Company for the year 2003 and to authorise the board of Directors to fix their remunerations;
 7. To appoint Directors and supervisors; and
 8. To handle any other matters.

- II. To pass the following matters as special resolutions:
 1. To consider and resolve that, subject to the approval of China Securities Regulatory Commission and/or other relevant statutory authorities in the People's Republic of China and/or the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the proposed allotment and issue of new H shares and/or domestic shares, the board of Directors be authorised to:
 - (a) to issue and/or place H Shares and/or Domestic Shares within a period of 12 months from the date of this resolution, provided that the total number of H shares and/or domestic shares to be placed and/or issued shall not exceed 20% (the "20% Limit") of the number of H shares and/or domestic shares of the Company in issue respectively;

Notice of Annual General Meeting

- (b) subject to the 20% Limit, to decide the number of H shares and/or domestic shares to be placed and/or issued and to deal with any matter arising from or related to the placing or issue of the new shares mentioned above;
- (c) to amend, in accordance with the increase in registered capital of the Company, the relevant articles contained in the Articles of Association in relation to the registered capital of the Company and any other articles that require corresponding amendments; and
- (d) if any chronological variation of the wordings or numbering of the articles contained in the Articles of Association of the Company is necessary upon application to the companies examination and approval authority authorised by the State Council and China Securities Regulatory Commission for examination and approval, to make corresponding amendments to the Articles of Association as required by such authority and China Securities Regulatory Commission.

By order of the Board

Launch Tech Company Limited

Liu Xin

Chairman

Shenzhen, the PRC

24 March 2003

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company.
2. To be valid, a form of H shares proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such authority, must be deposited with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, Room 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 24 hours before the time for holding the meeting or appointed time of voting.
3. Shareholders or their proxies shall present proofs of identities upon attending the AGM.
4. The Registrar of members will be closed from 8 April 2003 to 7 May 2003, both days inclusive. All transfers accompanied by relevant share certificates must be lodged with Company's H share registrar not later than 4:00 p.m. on 7 April 2003.
5. Shareholders entitled to attend the AGM are requested to deliver the reply slip for attendance to the Company's H share registrar before 16 April 2003.



REPORT OF THE AUDITORS

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF 深圳市元征科技股份有限公司
(A joint stock company with limited liability established in the People's Republic of China)

We have audited the financial statements on pages 39 to 72 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 for the preparation of financial statements which give a true and fair view. In preparing financial statements 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 statements 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2002 and of the profit 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.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 24 March 2003

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2002

	NOTES	2002 RMB'000	2001 RMB'000
Turnover	3	105,144	56,734
Cost of sales		(45,131)	(20,949)
Gross profit		60,013	35,785
Other operating income		10,905	3,087
Selling expenses		(12,524)	(6,240)
Administrative expenses		(12,313)	(6,539)
Research and development costs		(3,367)	(1,396)
Profit from operations	4	42,714	24,697
Finance costs	6	(2,732)	(1,497)
Profit before taxation		39,982	23,200
Taxation	7	(2,895)	-
Profit before minority interests		37,087	23,200
Minority interests		(38)	-
Net profit for the year		37,049	23,200
Dividends	8	20,600	11,500
Earnings per share - basic	9	RMB0.104	RMB0.070

**CONSOLIDATED BALANCE SHEET**

At 31 December 2002

	NOTES	2002 RMB'000	2001 RMB'000
Non-current assets			
Property, plant and equipment	10	29,180	18,390
Goodwill	11	955	873
Development costs	12	20,170	9,067
Loans to employees	14	3,960	-
		54,265	28,330
Current assets			
Inventories	15	21,197	11,124
Trade receivables	16	29,521	19,483
Other receivables, deposits and prepayments	17	10,226	7,449
Amounts due from directors	18	-	17,685
Amount due from a shareholder	19	-	4,920
Pledged bank deposits	20	393	9,469
Bank balances and cash		76,464	10,184
		137,801	80,314
Current liabilities			
Trade payables	21	12,410	6,173
Receipt in advance, other payables and accrued charges		12,688	10,505
Taxation payable		2,895	-
Unsecured loans	23	-	550
Bank loans	24	20,350	34,120
		48,343	51,348
Net current assets			
		89,458	28,966
		143,723	57,296
Capital and reserves			
Share capital	25	44,000	33,000
Reserves		99,535	24,144
Shareholders' funds			
		143,535	57,144
Minority interests			
		188	152
		143,723	57,296

The financial statements on pages 39 to 72 were approved and authorised for issue by the Board of Directors on 24 March 2003 and are signed on its behalf by:

Liu Xin
DIRECTOR

Lin Jun
DIRECTOR

BALANCE SHEET

At 31 December 2002

	NOTES	2002 RMB'000	2001 RMB'000
Non-current assets			
Property, plant and equipment	10	28,493	18,216
Development costs	12	20,170	9,067
Investments in subsidiaries	13	2,300	1,100
Loans to employees	14	3,960	-
		54,923	28,383
Current assets			
Inventories	15	20,204	10,741
Trade receivables	16	29,194	19,483
Other receivables, deposits and prepayments	17	10,059	7,430
Amounts due from directors	18	-	17,685
Amount due from a shareholder	19	-	4,920
Pledged bank deposits	20	393	9,469
Bank balances and cash		76,366	9,651
		136,216	79,379
Current liabilities			
Trade payables	21	11,378	5,977
Receipt in advance, other payables and accrued charges		12,338	9,971
Amounts due to subsidiaries	22	932	-
Taxation payable		2,895	-
Unsecured loans	23	-	550
Bank loans	24	20,350	34,120
		47,893	50,618
Net current assets		88,323	28,761
		143,246	57,144
Capital and reserves			
Share capital	25	44,000	33,000
Reserves	26	99,246	24,144
Shareholders' funds		143,246	57,144

Liu Xin
DIRECTOR

Liu Jun
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2002

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Capital reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2001	12,000	-	1,988	1,988	1,160	16,846	33,982
Dividend for 2000, paid	-	-	-	-	-	(38)	(38)
Capitalisation of reserves into share capital (see note 25)	21,000	-	(1,988)	(1,988)	(1,160)	(15,864)	-
Net profit for the year	-	-	-	-	-	23,200	23,200
Appropriations	-	-	1,713	1,713	-	(3,426)	-
At 31 December 2001	33,000	-	1,713	1,713	-	20,718	57,144
Dividend for 2001, paid	-	-	-	-	-	(11,500)	(11,500)
Dividend for 2002 – interim, paid	-	-	-	-	-	(7,400)	(7,400)
Issue of H shares	11,000	73,068	-	-	-	-	84,068
Expenses incurred in connection with the issue of H shares	-	(15,826)	-	-	-	-	(15,826)
Net profit for the year	-	-	-	-	-	37,049	37,049
Appropriations	-	-	3,395	3,395	-	(6,790)	-
At 31 December 2002	44,000	57,242	5,108	5,108	-	32,077	143,535

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2002

	NOTE	2002 RMB'000	2001 RMB'000
Cash flows from operating activities			
Profit before taxation		39,982	23,200
Adjustments for:			
Interest expense		2,416	1,333
Interest income		(341)	(185)
Amortisation of development costs		1,267	615
Amortisation of goodwill		116	-
Depreciation and amortisation of property, plant and equipment		3,733	2,108
Write-off of development costs		529	-
Operating cash flows before movements in working capital		47,702	27,071
Increase in inventories		(10,073)	(3,540)
Increase in trade receivables		(10,038)	(12,804)
Increase in other receivables, deposits and prepayments		(2,777)	(6,333)
Increase in trade payables		6,237	2,193
Increase in receipt in advance, other payables and accrued charges		2,183	4,336
Cash generated from operations		33,234	10,923
Interest paid		(2,416)	(1,333)
Net cash from operating activities		30,818	9,590
Cash flows from investing activities			
Repayment from (advances to) directors		11,121	(7,621)
Decrease (increase) in pledged bank deposits		9,076	(7,747)
Repayment of loan receivable		5,000	-
Repayment from (advances to) a shareholder		4,920	(4,920)
Interest received		341	185
Purchase of property, plant and equipment		(14,523)	(1,815)
Additions of development costs		(12,899)	(6,685)
Loan receivable		(5,000)	-
Loans to employees		(3,960)	-
Acquisition of additional interest in a subsidiary		(300)	-
Repayment from a related party		-	6,899
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	27	-	(567)
Net cash used in investing activities		(6,224)	(22,271)



Consolidated Cash Flow Statement

For the year ended 31 December 2002

	2002 RMB'000	2001 RMB'000
Cash flows from financing activities		
Proceeds from issue of new shares	84,068	-
Expenses paid in connection with the issue of new shares	(15,826)	-
Bank loans raised	25,850	35,366
Repayment of bank loans	(39,620)	(14,276)
Dividends paid	(12,336)	(38)
Repayment of unsecured loans	(550)	(1,040)
Capital contribution from a minority shareholder of a subsidiary	100	-
Net cash outflow to directors	-	(2,696)
Net cash from financing activities	41,686	17,316
Net increase in cash and cash equivalents	66,280	4,635
Cash and cash equivalents at beginning of the year	10,184	5,549
Cash and cash equivalents at end of the year, comprising bank balances and cash	76,464	10,184

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

1. GENERAL

深圳市元征計算機有限公司 (formerly 深圳元征計算機有限公司) (the "Predecessor") was established in Shenzhen, the People's Republic of China (the "PRC") on 27 July 1993 as a limited liability company. The Company was established in Shenzhen, the PRC on 1 June 2001 as a joint stock limited company by way of transformation (the "Joint Stock Transformation") of the Predecessor. Upon establishment, the Company continued to carry on the business activities of provision of products and services serving the automotive aftermarket and the automobile industry in the PRC and certain overseas countries. Details of the principal activities of the Company's subsidiaries are set out in note 13.

The overseas listed foreign invested shares ("H Shares") of the Company were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited on 7 October 2002. Details of the Joint Stock Transformation are set out in the prospectus dated 30 September 2002 issued by the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong ("HKGAAP"). The principal accounting policies adopted are as follows.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from and up to their effective dates of acquisition and disposal respectively.

All significant intra-group transactions and balances have been eliminated on consolidation.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from the sale of software systems is recognised when the software system has been delivered and installed and the customer has examined and accepted the software system.

Revenue from technical services is recognised when services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Notes to the Financial Statements

For the year ended 31 December 2002

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and amortisation and any accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Land under medium-term lease in the PRC	Over the unexpired lease terms
Building	5%
Leasehold improvements	20%
Moulds and equipment	20%
Motor vehicles	20%

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is capitalised and amortised using the straight line method over its estimated useful life, generally not exceeding twenty years. On disposal of a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the gain or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Notes to the Financial Statements

For the year ended 31 December 2002

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its estimated useful life of the project from the date of commencement of commercial operation, in general not exceeding ten years.

When no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weight average method.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Financial Statements

For the year ended 31 December 2002

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant leases.

Pension cost

The pension cost, which represents the amount payable in accordance with the regulations promulgated by the local Municipal Government, is charged to the income statement as incurred.

Notes to the Financial Statements

For the year ended 31 December 2002

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amount received and receivable (net of any business tax) for goods and software systems sold and services rendered.

The Group's operation is regarded as a single business segment, being an enterprise providing products and services serving the automotive aftermarket and the automobile industry in the PRC and certain overseas countries.

The Group's operation by geographical analysis is as follows:

	Turnover		Contribution to net profit for the year	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Geographical market:				
PRC other than Hong Kong	90,266	46,040	50,416	27,238
Europe	6,771	4,142	3,438	1,764
Africa	2,284	–	1,123	–
United States of America	1,901	1,196	1,036	347
Australia	1,252	–	576	–
Taiwan	794	1,754	398	912
Hong Kong	54	1,046	27	565
Others	1,822	2,556	878	1,609
	105,144	56,734	57,892	32,435
Unallocated other operating income			502	197
Research and development costs			(3,367)	(1,396)
Unallocated corporate expenses			(12,313)	(6,539)
Profit from operations			42,714	24,697
Finance costs			(2,732)	(1,497)
Taxation			(2,895)	–
Minority interests			(38)	–
Net profit for the year			37,049	23,200

Substantial assets and liabilities of the Group are situated in the PRC.

Notes to the Financial Statements

For the year ended 31 December 2002

4. PROFIT FROM OPERATIONS

	2002 RMB'000	2001 RMB'000
Profit from operations has been arrived at after charging:		
Directors' and supervisors' remuneration	580	475
Other staff costs	12,536	7,950
Pension cost	166	94
	13,282	8,519
Less: Staff costs capitalised in development costs	(4,899)	(4,982)
	8,383	3,537
Research and development expenditure	14,470	7,466
Less: Amount (including staff costs) capitalised in development costs	(12,899)	(6,685)
	1,571	781
Add: Amortisation of development costs	1,267	615
Write-off of development costs	529	-
Research and development costs	3,367	1,396
Allowance for bad and doubtful debts	317	1,610
Amortisation of goodwill (included under administrative expenses)	116	-
Auditors' remuneration	850	150
Depreciation and amortisation of property, plant and equipment	3,733	2,108
Rentals in respect of land and buildings	2,511	1,281
Write-off of inventories	-	359
and after crediting:		
Interest income	341	185

Notes to the Financial Statements

For the year ended 31 December 2002

5. DIRECTORS' AND SUPERVISORS' REMUNERATION

Details of emoluments to the directors and supervisors are as follows:

	2002 RMB'000	2001 RMB'000
Fees for		
– non-executive directors	8	–
– independent non-executive directors	8	–
– supervisors	6	–
	22	–
Other emoluments for executive directors		
– salaries, allowances and other benefits	413	230
– pension cost	4	4
– performance related incentive payments	–	–
	417	234
Other emoluments for non-executive directors		
– salaries, allowances and other benefits	–	4
– pension cost	–	–
– performance related incentive payments	–	–
	–	4
Other emoluments for independent non-executive directors	–	–
Other emoluments for supervisors		
– salaries, allowances and other benefits	138	234
– pension cost	3	3
– performance related incentive payments	–	–
	141	237
	580	475

Notes to the Financial Statements

For the year ended 31 December 2002

5. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

Details of directors' and supervisors' remuneration by individuals are as follows:

	2002 RMB'000	2001 RMB'000
Executive director A	113	113
Executive director B	161	66
Executive director C	143	55
Non-executive director D	4	4
Non-executive director E	4	–
Independent non-executive director F	4	–
Independent non-executive director G	4	–
Supervisor A	114	111
Supervisor B	2	–
Supervisor C	2	–
Supervisor D	19	67
Supervisor E	10	41
Supervisor F	–	18

For the year ended 31 December 2002, the five highest paid employees of the Group included three directors and one supervisor (2001: one director), details of their emoluments are included above. The emoluments of the remaining individual (2001: four individuals) are as follows:

	2002 RMB'000	2001 RMB'000
Employees		
– salaries, allowances and other benefits	104	535
– pension cost	1	5
– performance related incentive payments	–	–
	105	540

No emoluments were paid by the Group to the five highest paid individuals (including directors, supervisors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and supervisors has waived any emoluments during the year.

Notes to the Financial Statements

*For the year ended 31 December 2002***6. FINANCE COSTS**

	2002 RMB'000	2001 RMB'000
Interest on bank borrowings wholly repayable within five years	2,416	1,333
Bank charges	269	161
Exchange loss	47	3
	2,732	1,497

7. TAXATION

The charge for the year represents provision for PRC taxation which is based on the estimated taxable income for PRC taxation purposes at the rate of taxation applicable.

Pursuant to the relevant laws and regulations in the PRC, the Company has been designated as a new and high technology enterprise and was exempted from PRC Enterprise Income Tax, which is currently at the rate of 15%, for two years 2000 and 2001 from the first profitable year of operation and is eligible for and entitled to a 50% tax relief for the next three years 2002 to 2004.

The Company's subsidiaries are subject to income tax rate of 15% to 33%.

The Group and the Company did not have any significant unprovided deferred taxation for the year or at the balance sheet date.

Notes to the Financial Statements

For the year ended 31 December 2002

8. DIVIDENDS

On 21 March 2002, the Company declared dividend amounting to RMB11,500,000 for the year ended 31 December 2001 to its shareholders. The amount was paid to its shareholders in May 2002.

On 23 May 2002, the Company declared an interim dividend amounting to RMB7,400,000 for the year ended 31 December 2002 to its shareholders. The amount was paid to its shareholders on 31 May 2002.

A final dividend of RMB3 cents per share amounting to approximately RMB13,200,000 for the year ended 31 December 2002 has been proposed by the directors. The proposal is subject to approval by the shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated net profit for the year of RMB37,049,000 (2001: RMB23,200,000) and on the weighted average number of 355,917,808 shares in issue during the year (2001: 330,000,000 shares as if the sub-division of the Company's shares as described in note 25 had taken place on 1 January 2001).

No diluted earnings per share has been presented as there were no potential dilutive shares for either year.

Notes to the Financial Statements

For the year ended 31 December 2002

10. PROPERTY, PLANT AND EQUIPMENT

	Land and building RMB'000	Leasehold improvements RMB'000	Moulds and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
THE GROUP					
COST					
At 1 January 2002	15,470	894	5,627	2,565	24,556
Additions	-	7,955	6,191	377	14,523
Disposals	-	-	(9)	-	(9)
At 31 December 2002	15,470	8,849	11,809	2,942	39,070
DEPRECIATION AND AMORTISATION					
At 1 January 2002	2,388	-	2,712	1,066	6,166
Provided for the year	743	1,253	1,251	486	3,733
Eliminated on disposals	-	-	(9)	-	(9)
At 31 December 2002	3,131	1,253	3,954	1,552	9,890
NET BOOK VALUE					
At 31 December 2002	12,339	7,596	7,855	1,390	29,180
At 31 December 2001	13,082	894	2,915	1,499	18,390

Notes to the Financial Statements

For the year ended 31 December 2002

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and building RMB'000	Leasehold improvements RMB'000	Moulds and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
THE COMPANY					
COST					
At 1 January 2002	15,470	894	5,607	2,361	24,332
Additions	–	7,955	5,564	377	13,896
At 31 December 2002	15,470	8,849	11,171	2,738	38,228
DEPRECIATION AND AMORTISATION					
At 1 January 2002	2,388	–	2,699	1,029	6,116
Provided for the year	743	1,253	1,166	457	3,619
At 31 December 2002	3,131	1,253	3,865	1,486	9,735
NET BOOK VALUE					
At 31 December 2002	12,339	7,596	7,306	1,252	28,493
At 31 December 2001	13,082	894	2,908	1,332	18,216

The land and building of the Group and the Company are situated in Guilin, the PRC and are held under medium-term leases.

Notes to the Financial Statements

*For the year ended 31 December 2002***11. GOODWILL**

	THE GROUP RMB'000
COST	
At 1 January 2002	873
Arising on acquisition of additional interest in a subsidiary	198
At 31 December 2002	1,071
AMORTISATION	
Provided for the year and at 31 December 2002	116
CARRYING AMOUNT	
At 31 December 2002	955
At 31 December 2001	873

The goodwill arose from the acquisition of 60% equity interest in Shanghai Zhenyuan (see note 13) by the end of December 2001 from two outside parties for a cash consideration of RMB1,100,000 and an additional 30% equity interest in February 2002 from Mr. Liu Jun, a director of the Company, for a cash consideration of RMB300,000.

The goodwill is amortised on a straight line basis over its estimated useful life of nine years.



Notes to the Financial Statements

For the year ended 31 December 2002

12. DEVELOPMENT COSTS

	THE GROUP AND THE COMPANY RMB'000
COST	
At 1 January 2002	9,871
Additions	12,899
Write-off	(552)
At 31 December 2002	22,218
AMORTISATION	
At 1 January 2002	804
Provided for the year	1,267
Eliminated on write-off	(23)
At 31 December 2002	2,048
CARRYING AMOUNT	
At 31 December 2002	20,170
At 31 December 2001	9,067

Notes to the Financial Statements

For the year ended 31 December 2002

13. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2002 RMB'000	2001 RMB'000
Unlisted investments, at cost	2,300	1,100

Particulars of the Company's subsidiaries at 31 December 2002 are as follows:

Name of subsidiary	Form of business structure	Place of registration and operation	Registered and fully paid capital	Percentage of registered capital directly held by the Company	Principal activities
上海工技大振源汽車科技 有限公司 ("Shanghai Zhenyuan")	Limited liability company	PRC	RMB1,000,000	90%	Development of automobile suspension tester
深圳市元和電子材料有限公司 ("Shenzhen Yuanhe")	Limited liability company	PRC	RMB1,000,000	90%	Assembly and testing of automobile diagnostic tools and equipment

Shanghai Zhenyuan's remaining 10% equity interest is held by Mr. Hu Kai, vice president of the Company's production department.

Shenzhen Yuanhe's remaining 10% equity interest is held by Mr. Chen Jin Ming, a director and deputy general manager of Shenzhen Yuanhe.

Notes to the Financial Statements

For the year ended 31 December 2002

14. LOANS TO EMPLOYEES

The loans represent housing loans made to employees of the Group. They are unsecured, interest-free and repayable five years after the respective agreements are signed.

The loans to employees included the following amounts which were advanced to members of senior management of the Company:

Name of employee	THE GROUP AND THE COMPANY		
	Balance	Balance	Maximum
	at 31.12.2002 RMB'000	at 1.1.2002 RMB'000	amount outstanding during the year RMB'000
Mr. Hu Kai, vice president of the Company's production department	300	-	300
Ms. Huang Zhao Huan, vice president of the Company's marketing department	300	-	300
	600	-	

15. INVENTORIES

	THE GROUP		THE COMPANY	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Raw materials	6,582	3,990	6,016	3,965
Work in progress	2,511	2,245	2,435	2,245
Finished goods	12,104	4,889	11,753	4,531
	21,197	11,124	20,204	10,741

All inventories were stated at cost.

Notes to the Financial Statements

For the year ended 31 December 2002

16. TRADE RECEIVABLES

Customers of software systems are invoiced by instalments over a period of up to twelve months after customers' examination and acceptance. The Group allows a credit period of one to six months to its other trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP		THE COMPANY	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Within 6 months	29,215	12,656	28,911	12,656
Over 6 months but less than 1 year	23	2,184	–	2,184
Over 1 year but less than 2 years	283	3,593	283	3,593
Over 2 years	–	1,050	–	1,050
	29,521	19,483	29,194	19,483

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in the other receivables, deposits and prepayments as at 31 December 2001 was an amount of RMB300,000 representing the money paid for the establishment of Shenzhen Yuanhe. Shenzhen Yuanhe was established in February 2002. The Company's capital contribution amounting to RMB900,000 was fully paid up during the current year.

Notes to the Financial Statements

For the year ended 31 December 2002

18. AMOUNTS DUE FROM DIRECTORS

Particulars of the amounts due from directors are as follows:

Name of director	THE GROUP AND THE COMPANY		
	Balance	Balance	Maximum
	at	at	amount
31.12.2002	1.1.2002	outstanding	
RMB'000	RMB'000	during	
		the year	
		RMB'000	
Mr. Liu Xin	-	9,428	9,428
Mr. Liu Jun	-	5,361	5,778
Ms. Liu Yong	-	2,896	2,904
	-	17,685	

The amounts were unsecured, interest-free and settled in full during the year.

19. AMOUNT DUE FROM A SHAREHOLDER

The amount due from 深圳市得時域投資有限公司 ("Shenzhen De Shi Yu") was unsecured, interest-free and settled in full during the year. The maximum amount outstanding during the year was RMB4,920,000.

At 31 December 2002, Shenzhen De Shi Yu held 11.25% interest in the Company. Ms. Liu Yong, a director of the Company, had beneficial interests in Shenzhen De Shi Yu.

20. PLEDGED BANK DEPOSITS

The deposits are pledged with banks to secure the bank loans granted to the Group (see note 24) to the extent of the amount of deposits placed with the banks.

Notes to the Financial Statements

For the year ended 31 December 2002

21. TRADE PAYABLES

An aged analysis of trade payables is as follows:

	THE GROUP		THE COMPANY	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Within 6 months	12,157	4,835	11,125	4,639
Over 6 months but less than 1 year	253	44	253	44
Over 1 year but less than 2 years	–	1,150	–	1,150
Over 2 years	–	144	–	144
	12,410	6,173	11,378	5,977

22. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

23. UNSECURED LOANS

The amount represented unsecured loans obtained from organisations under the Shenzhen Municipal Government and have been settled in full during the year. These loans were interest-free.

Notes to the Financial Statements

For the year ended 31 December 2002

24. BANK LOANS

	THE GROUP AND THE COMPANY	
	2002 RMB'000	2001 RMB'000
Secured (see note 20)	350	9,120
Unsecured	20,000	25,000
	20,350	34,120

The unsecured bank loans above as at 31 December 2001 included an amount of RMB5,000,000 which was guaranteed by 深圳市中小企業信用擔保中心, an outside party, and which was counter indemnified by Mr. Liu Xin who pledged his 40% equity interest in the Company to secure such guarantee. Such bank loan has been fully repaid during the year and the corresponding guarantee and pledge of equity interests by Mr. Liu Xin were released accordingly.

The unsecured bank loans above as at 31 December 2002 included an amount of RMB15,000,000 which was guaranteed by Shenzhen De Shi Yu. Pursuant to an agreement dated 13 December 2002 entered into between the Company and Shenzhen De Shi Yu, Shenzhen De Shi Yu agreed to provide such guarantee at no cost, and without interest or security required from the Company. The guarantee is effective from 16 December 2002 and will be terminated upon the full repayment of the relevant bank loan. Details of this arrangement are set out in the announcement dated 27 December 2002 issued by the Company.

Notes to the Financial Statements

For the year ended 31 December 2002

25. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid RMB'000
	Domestic Shares '000	H Shares '000	
Share capital of RMB1.00 each at 1 January 2001	12,000	–	12,000
Increase as a result of the Joint Stock Transformation	21,000	–	21,000
Share capital of RMB1.00 each at 31 December 2001	33,000	–	33,000
Effect of sub-division of shares	297,000	–	–
Shares capital of RMB0.10 each immediately after the sub-division of shares	330,000	–	33,000
Issue of H Shares of RMB0.10 each upon listing on the GEM on 7 October 2002	–	110,000	11,000
Share capital of RMB0.1 each at 31 December 2002	330,000	110,000	44,000

Notes to the Financial Statements

For the year ended 31 December 2002

25. SHARE CAPITAL (continued)

On 12 April 2001, the directors of the Company approved the Joint Stock Transformation. Pursuant to the Promotion Agreement dated 28 March 2001 entered into among all the five shareholders (who became promoters of the Company), the shares to be issued and allotted to the promoters were determined with reference to the net asset value of the Company as at 31 December 2000 and on an one-to-one basis. Net asset value of the Company as at 31 December 2000 was RMB33,000,000 as set out in the financial statements prepared under PRC Accounting Standards and audited by Shenzhen Dahua Tiancheng Certified Public Accountants, certified public accountants registered in the PRC, and adopted by the Company for the purpose of, inter alia, the Joint Stock Transformation. As such, 33,000,000 Domestic Shares of RMB1.00 each were issued and allotted, fully paid, to the promoters in the proportion of each of the promoters' equity interest in the Company by capitalising the following equity items:

	RMB
Registered capital	12,000,000
Statutory surplus reserve	1,987,839
Statutory public welfare fund	1,987,839
Capital reserve	1,160,000
Accumulated profits	15,864,322
	33,000,000

Registered capital of the Company after the above capitalisation is RMB33,000,000, comprising 33,000,000 Domestic Shares of RMB1.00 each. Pursuant to a resolution of the extraordinary general meeting of the Company dated 21 March 2002, each of the Company's Domestic Shares with nominal value of RMB1.00 each was sub-divided into ten shares with nominal value of RMB0.10 each. Approval for such sub-division of shares was granted by the China Securities Regulatory Commission (the "CSRC") on 5 June 2002.

By means of placing of new shares to professional and institutional investors, the Company issued and allotted an aggregate of 110,000,000 H Shares of RMB0.10 each at a price of HK\$0.72 per H Share on 7 October 2002.

The Company intended to use the net proceeds from the new issue of shares to further develop the Group's business and for general working capital purposes.

Except for the currency in which dividends are paid and the restrictions as to whether the shareholders can be PRC investors or foreign investor, Domestic Shares and H Shares rank pari passu in all respects with each other.

Notes to the Financial Statements

For the year ended 31 December 2002

26. RESERVES

	Share premium RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Capital reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
THE COMPANY						
At 1 January 2001	-	1,988	1,988	1,160	16,846	21,982
Dividend for 2000, paid	-	-	-	-	(38)	(38)
Capitalisation into share capital (see note 25)	-	(1,988)	(1,988)	(1,160)	(15,864)	(21,000)
Net profit for the year	-	-	-	-	23,200	23,200
Appropriations	-	1,713	1,713	-	(3,426)	-
At 31 December 2001	-	1,713	1,713	-	20,718	24,144
Dividend for 2001, paid	-	-	-	-	(11,500)	(11,500)
Dividend for 2002 - interim, paid	-	-	-	-	(7,400)	(7,400)
Premium arising on issue of H Shares	73,068	-	-	-	-	73,068
Expenses incurred in connection with the issue of H Shares	(15,826)	-	-	-	-	(15,826)
Net profit for the year	-	-	-	-	36,760	36,760
Appropriations	-	3,395	3,395	-	(6,790)	-
At 31 December 2002	57,242	5,108	5,108	-	31,788	99,246

Notes to the Financial Statements

For the year ended 31 December 2002

26. RESERVES (continued)

Notes:

(a) Basis of appropriations to reserves

The transfers to statutory surplus reserve and statutory public welfare fund are based on the net profit in the financial statements prepared under PRC Accounting Standards.

(b) Statutory surplus reserve

The Company's Articles of Association requires the appropriation of 10% of profit after taxation each year to the statutory surplus reserve until the balance reaches 50% of the registered share capital. According to the provision of the Company's Articles of Association, in normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the Company's production and operation. For the capitalisation of statutory surplus reserve into share capital, the remaining amount of such reserve shall not be less than 25% of the registered share capital.

(c) Statutory public welfare fund

Statutory public welfare fund represents the appropriation of profit after taxation according to the requirements of the Company's Articles of Association and the PRC Company Law. According to the requirements, the Company shall make allocation from profit after taxation at the rate of 5% to 10% to the statutory public welfare fund. The statutory public welfare fund can only be utilised on capital items for employees collective welfare. Individual employees only have the right to use these facilities, the titles to which will remain with the Company. The statutory public welfare fund forms part of the shareholders' equity but is not distributable other than in liquidation.

(d) Capital reserve

The capital reserve as at 1 January 2001 represented a sum which is equivalent to the cost of several motor vehicles injected into the Company by certain existing and then shareholders for nil consideration.

(e) Accumulated profits

The reserve available for distribution to shareholders is based on the lower of the aggregate amount of profit after taxation for the year and accumulated profits brought forward determined under PRC Accounting Standards and that determined under HKGAAP after deduction of the current year's appropriations to the statutory surplus reserve and statutory public welfare fund.

The reserve available for distribution to the shareholders at 31 December 2002 was RMB6,707,000 (2001: RMB151,000), after accounting for the proposed dividend of RMB13,200,000 (2001: RMB11,500,000) (see note 8).

Notes to the Financial Statements

For the year ended 31 December 2002

27. ACQUISITION OF A SUBSIDIARY

	2002 RMB'000	2001 RMB'000
Net assets acquired:		
Property, plant and equipment	–	174
Inventories	–	383
Other receivables, deposits and prepayments	–	18
Bank balances and cash	–	533
Trade payables	–	(729)
Minority interests	–	(152)
	–	227
Goodwill	–	873
	–	1,100
Satisfied by:		
Cash	–	1,100
Net cash outflow arising on acquisition:		
Cash consideration	–	1,100
Bank balances and cash acquired	–	(533)
	–	567

The subsidiary, Shanghai Zhenyuan, was acquired by the end of December 2001 and had no significant contributions to the Group's cash flows for the year ended 31 December 2001.

28. MAJOR NON-CASH TRANSACTIONS

- (a) During the year, dividend payable of RMB6,564,000 (2001: nil) was settled through current accounts with directors.
- (b) In 2001, an amount RMB8,685,000 (2002: nil) due from a related party was settled through current accounts with directors.

Notes to the Financial Statements

For the year ended 31 December 2002

29. CONTINGENT LIABILITIES

	THE GROUP AND THE COMPANY	
	2002 RMB'000	2001 RMB'000
Guarantee given to banks in respect of loan facilities granted to an outside party	-	10,000

The above guarantee at 31 December 2001 was given to a bank in favour of an outside party in exchange for counter guarantee of bank loans of RMB20,000,000 given by that outside party and a shareholder of that outside party in favour of the Company. Such guarantee was released during the current year.

30. OPERATING LEASE COMMITMENTS

At balance sheet date, the Group and the Company had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Within one year	3,253	1,750	2,767	1,606
After one year but not more than five years	7,654	6,910	6,898	6,334
After five years	2,045	3,648	2,045	3,629
	12,952	12,308	11,710	11,569

The lease payments are fixed and no arrangements have been entered into for contingent rental payments.

Notes to the Financial Statements

For the year ended 31 December 2002

31. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	23,000	-	23,000	-
Unpaid capital contribution in respect of investment in a subsidiary	-	-	-	600
	23,000	-	23,000	600

32. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme approved by a resolution of the shareholders of the Company dated 21 March 2002 (the "Share Option Scheme"), the Company, for the purpose of encouraging the participants to perform their best in achieving the goals of the Group, may grant options to employees including any directors of the Company or its subsidiaries to subscribe for the H Shares in the Company. An offer for the grant of options must be accepted within 28 days from the date of offer, and a consideration of RMB1.00 is payable by each of the participants on acceptance of the grant of options. The Share Option Scheme will remain valid for a period of ten years commencing on 21 March 2002. An option may be exercised at any time during a period to be notified by the directors of the Company to each grantee provided that the period within which the option must be exercised shall be not less than two years and not more than 10 years from the date of grant. The subscription price for H Shares under the Share Option Scheme will be determined by the directors and notified to each grantee and will be no less than the highest of (a) the closing price of the H Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average closing price of the H Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a H Share.

Notes to the Financial Statements

For the year ended 31 December 2002

32. SHARE OPTION SCHEME (continued)

However, for employees who are PRC nationals and have taken up any options to subscribe for the Company's H Shares, they shall not be entitled to exercise the options until:

- (i) The current restrictions imposed by the relevant PRC laws and regulations restricting PRC nationals from subscribing for and dealing in H Shares or any laws and regulations with similar effects have been abolished or removed; and
- (ii) The CSRC or other relevant government authorities in the PRC have approved the new issue of H Shares upon the exercise of any options which may be granted under the Share Option Scheme.

The total number of H Shares subject to the Share Option Scheme and any other share option schemes must not, in aggregate, exceed 30% of issued H Shares of the Company in issue from time to time. The total number of H Shares available for issue under options granted under the Share Option Scheme and any other schemes, must not in aggregate, exceed 10% of the number of H Shares of the Company in issue from time to time. The Company may seek approval from shareholders in general meeting for renewing the 10% limit or for granting further options beyond the 10% limit, provided that the options in excess of the 10% limit are granted only to participants specifically identified by the Company before such approval is sought.

No employee of the Company or its subsidiaries shall be granted an option which, if all the options granted to the employee (including both exercised and outstanding options) in any 12-month period up to the date of grant, shall not exceed 1% of the H Shares in issue at the date of grant.

No option was granted by the Company under the Share Option Scheme since its adoption.

33. RETIREMENT PLANS

As stipulated by the rules and regulations in the PRC, the Group contributes to state-sponsored retirement plans for its employees in the PRC. The Group is required to contribute 8.0% to 22.5% of the basic salaries of its employees to the retirement plans, and has no further obligation for the actual payment of the previous or post retirement benefits. The relevant state-sponsored retirement plans are responsible for the entire present obligation to retire employees.