



乾坤燭[®] PROSTICKS[®]

ProSticks International Holdings Limited
乾坤燭國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Annual Report
2002

* For identification only

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Board of Directors

Executive Directors

Mr. Li Ching Ping Vincent, *Chairman*
Mr. Chan Chee Ming Harris
Mr. Yip James

Independent Non-Executive Directors

Mr. Ng Ge Bun
Mr. Wan Yiu Kwan Stephen

Company secretary

Ms. Ho Wai Man Heidi, *AICPA*

Authorised representatives

Mr. Li Ching Ping Vincent
Mr. Chan Chee Ming Harris

Compliance officer

Mr. Li Ching Ping Vincent

Qualified accountant

Ms. Ho Wai Man Heidi, *AICPA*

Audit committee

Mr. Ng Ge Bun
Mr. Wan Yiu Kwan Stephen

Registered office

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

**Head office and principal
place of business**

15th Floor, Asia Financial Centre
120 Des Voeux Road Central
Hong Kong

Principal bankers

Wing Hang Bank Ltd.
161 Queen's Road Central
Hong Kong

Dao Heng Bank Ltd.
99 Queen's Road Central
Hong Kong

Citic Ka Wah Bank, Ltd.
40th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

**Principal share registrar
and transfer office
in the Cayman Islands**

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

**Branch share registrar
and transfer office
in Hong Kong**

Tengis Limited
Ground Floor, BEA Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Auditor

Moore Rowland
34th Floor, The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

Sponsor

REXCAPITAL (Hong Kong) Limited
34th Floor, COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

Legal Adviser

As to Cayman Island Law:
Conyers Dill & Pearman, Cayman
Century Yard, Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

As to Hong Kong Law:
Richards Butler
20th Floor, Alexandra House
16-20 Charter Road
Central, Hong Kong

Stock Code

8055

Company homepage/website

<http://www.prosticks.com.hk>

Dear shareholders

It was a difficult year for the Group, the global economic setbacks had significant adverse influence on investment activities that most individual investors reduced their investment in securities and other financial instruments, which directly led to an overall decline in demand of financial instruments analysis software products and services. The post 911 geopolitical uncertainties have created adverse impact on the global financial particularly the stock markets. As a result, growth of the Group's financial instruments analysis software business segment was severely hindered by these uncontrollable factors. On the other hand, information technology expenditure of many banks was either reduced or delayed in view of the overall depressed economy. The Group was thus experienced delays in launching of new systems and price pressure in renewing operational software maintenance services contracts.

During the year, the Group attempted to broaden its revenue base by providing new services and functions such as real time stock quotes (ProSticks Multi-text services), additional financial market information, trading signals and market commentaries. The operating results of ProSticks Multi-text services significantly deviated from management's expectation as a result of the continuous poor market conditions. In view of the high operating cost of ProSticks Multi-text services, the management intends to terminate provision of ProSticks Multi-text services in 2003. To be prudent, full provision of the unamortized amount of development costs of ProSticks Multi-text was made and reflected in the operating results of 2002. However, the directors are of the view that such provision will not affect the Group's cash flows or its future operation.

The Group is dedicated to develop cutting-edge technology and provide innovative products and services with custom functions and features. With the strong foundation of patented and developed product technology, the Group believes that it will be well positioned to capture opportunities upon the recovery of market and sustains its position as one of the leading financial analysis tools and operational software applications developers.

The Directors are concerned about the poor operating results, thus the Group will implement a new operation plan in this year with an aim to boost revenue and control costs in order to bring the Company to profitability. The plan will involve re-launch of the Group's website with new layout, new services package and new functions; create synergy effect to the Group by forming business alliance with reputable enterprises; and rationalization in staffing to lower operating costs.

On behalf of the Board, I would like to thank you for your continuing support to the Group.

Li Ching Ping Vincent

Chairman

Hong Kong, 25 March 2003

Financial review

For the year ended 31 December 2002, the Group achieved a turnover of approximately HK\$4,110,000 (2001: HK\$3,625,000) which represented a slight increase of 13% over the previous year. Gross profit margin of 2002 was approximately 8%, representing a decrease of 17 percentage points from 25% in 2001. The loss attributable to shareholders was approximately HK\$20,292,000 in 2002.

Cost of sales for the year ended 31 December 2002 amounted to approximately HK\$3,774,000, representing an increase of approximately 40% mainly due to additional data and internet costs incurred for provision of real time stock quotes and market information services and amortization of development costs incurred in 2002.

Advertising and promotion expenses incurred for the year of 2002 increased by approximately 67% mainly due to the fact that promotion activities were carried out in May for promoting the new services — ProSticks Multi-text and exhibition was held in Beijing for promotion of the Group's products and services.

Administrative expenses for the financial year of 2002 increased by approximately 120% compared to the last financial year mainly due to increase in professional expenses incurred for exploring and evaluating new business opportunities and product development of the Group, additional operating expenses incurred for the representative office in Beijing and the research and development center in Canada, mandatory expenses required for the compliance of the listing requirements on GEM, increase of staff cost as a result of appointment of executive directors and bonus of approximately HK\$3 million payable to directors during the year.

Other operating expenses incurred for the year 2002 represented a provision for impairment loss of approximately HK\$2,304,000 on its fixed and intangible assets. The impairment loss was mainly attributable to a write off of development costs of approximately HK\$1.6 million for ProSticks Multi-text services which will be terminated subsequent to the financial year end date, the provision of approximately HK\$0.6 million made for development costs of an intangible asset after taken into account of the uncertainties associated with launching of a particular product/service in the PRC market, and loss of disposal of fixed assets.

As a result, loss attributable to shareholders increased by approximately 175% as compared to last year's. However, these provisions will not affect the Group's cash flows or its operations.

Financial position

As at 31 December 2002, the Group had net assets of approximately HK\$9.4 million (2001: HK\$27.9 million), including cash and bank balances of approximately HK\$7.5 million (2001: HK\$26.5 million). The current ratio of the Group at as 31 December 2002 was 2.2 (2001: 15.8). The Group did not have any bank borrowings as at 31 December 2002. The convertible note of HK\$2 million was fully repaid in May 2002.

Gearing ratio

The gearing ratio, defined as the ratio of total liabilities to total assets, was 30% as compared to 12% as at 31 December 2001.

Contingent liabilities and charges on the group's assets

There were no material contingent liabilities nor any charges on group assets as at year end date of 2002 and 2001.

Foreign exchange exposure

All transactions of the Group are denominated in Hong Kong dollars, United States dollars, Canadian dollars and Great Britain Pounds. As the exchange rates of these currencies were stable during the year under review, no hedging or other alternatives had been implemented. It is considered that there was no significant currency exposure of the Group.

Material acquisitions/disposal of subsidiaries

Save for the acquisition of Global Media Services Limited disclosed in the section of "Prospects", no significant investments or material acquisitions and disposals of subsidiaries and affiliated companies which have significant impact on financial results of the Group were made for year of 2002.

Capital structure

Management and control of the Group's financing and treasury activities were centralized at the corporate level. Unused financial resources will be placed in bank for interest.

BUSINESS REVIEW

Turnover of the Group was mainly derived from subscription fee from members of the website and system licence, enhancement and maintenance income from operational software applications products, each represents 27% (2001: 22%) and 73% (2001: 78%) of the Group's turnover. As the general demand of goods and services in the securities market is weak, the turnover of the Group incurred during the year ended 31 December 2002 was lower than expected.

Segment revenue of financial instrument analysis software products has increased by 40% mainly due to continuous provision of new valued-added functions to users which had driven up the overall revenue from subscribers. Also, the average number of subscribers throughout the year of 2002 has increased by approximately 15% as compared to last year's. In particular, the number of

real time charting services subscribers enjoyed a stable growth since it was first launched in June 2001. During the year under review, there was no change in basic price of ProSticks's web services while special discount was offered during promotion period.

A new service which provided real time stock quotes and stock information of Hong Kong securities market, namely ProSticks Multi-text services, had been launched in May 2002. However, revenue generated from ProSticks Multi-text services did not meet the management's expectation as a result of the poor market conditions and management intends to terminate the services subsequent to the financial year end date. Cost of sales was increased as a result of additional costs of real-time data, labor and internet facilities required for provision of ProSticks Multi-text services. Operating loss within this segment was further increased by the impairment loss of approximately HK\$2.3 million made on the intangible assets (development costs) and amortization of intangible assets of approximately HK\$0.4 million during the year under review.

Segment revenue of operational software applications products was mainly generated from system maintenance and system licencing/enhancement/upgrade. System maintenance service revenue in 2002 accounted for approximately 50% of total operational software applications products revenue which provides a stable revenue source to the Group.

Revenue from operational software applications products increased by approximately 6% in 2002 as the group sold two new licences and several bank clients had upgraded their operational systems. Total profit of this segment in 2002 reduced by approximately 15% as compared with 2001 largely attributable to increase in research and development costs incurred for continuous development of new products such as Retail Banking Products Pricing System (previously named as Branches Central Pricing System), Internet FX Trading System as well as refinement/upgrade of existing operational software applications products.

Research and development

In order to stay abreast of customer needs and market trends in different regions, the Group established a research and development center in Canada, which will be responsible for overall web-based development of the Group as well as management of financial market data of the North America. On the other hand, the Beijing representative office established in April 2002 also took responsibilities in research and development of the Group's products. Led by two senior product development managers of Hong Kong, two technicians were employed in Beijing to work on system integration and localization of products and services in response to local customer needs.

The Group continues to extend the scope and functions of its products that Branches Central Pricing System has been modified to support multi-currency deposits and other investment products such as bonds, certificate of deposits and other derivative products in addition to the FX margin trading system. Additional functions such as retail banking distribution for premium deposits, bond and unit trust were also embedded into one of the existing operational software applications products to provide a more comprehensive support to client's operations.

Sales and marketing

In the second quarter of 2002, the Group carried out a series of promotion campaigns, such as roadshow, exhibition and press conference had been held in the Central district of Hong Kong and advertisements through various media were launched to promote the ProSticks Multi-text services.

An exhibition was also held in Beijing in May 2002 to explore business opportunities for the Group. The third publication on applications of ProSticks charts was published in March 2002 and the simplified Chinese version of the second publication of ProSticks was also published for promotion in the PRC market.

Strategies

The Board had continued refining its business strategies to cope with market development. After careful evaluation and consideration of the stock market conditions in Asia, the Board decided to delay the development plan for Taiwan and Singapore market. The Board also intends to promote its products by rely on business partners or re-distributors which, in the view of the directors, is more cost-efficient than establishing a large sales force.

Employee and remuneration policy

As at 31 December 2002, the Group had 30 employees and total staff costs, including directors' emoluments and staff salary capitalized as development costs, were approximately HK\$13.8 million for the year. It represented an increase of approximately 92% as compared with previous year mainly due to appointment of the executive directors, compensation paid to a director for loss of office and bonus payable to two directors. There was no significant change in headcount and staff salaries. The directors believe that the employee remuneration packages currently offered are competitive with other companies in the market. The Group also provides mandatory provident fund, medical benefits and on-the-job training for employees. No share options were granted to employees during the financial year.

As at 31 December 2002, no employees had completed the required number of years of service under Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment with the Group. The Group is only liable to make such payments where termination meets the required circumstances specified in the Ordinance. As at 31 December 2002, the Group had no contingent liabilities provided for such purpose.

MATERIAL INVESTMENTS AND CAPITAL ASSETS

At 31 December 2002, the Group did not have any plan for material investments or acquisition of material capital assets.

PROSPECTS

During the year under review, the Group has acquired 100% share holdings of Global Media Services Limited ("GMS") by issuance of 20 million new shares of the Company. GMS has developed a software namely "STARTS", which can further enhance the Group's products and services by providing intra-day trading signals. The Group intends to integrate the software into the Group's existing charting system in order to provide a full array of products and services. Integration of system was still under progress and the management expects to complete testing in the second quarter of 2003.

In February 2003, the Group signed two new licence contracts with two bank clients to launch the Retail Banking Products Pricing System (previously named as Branches Central Pricing System) and the Retail Banking Product Distribution System in 2003. Looking forward, the Group will continue to enhance and develop new products which provide comprehensive operational support for all kinds of financial institutions. Management believes those new products/functions will broaden its client base.

The Group will focus its business development in the PRC and North America. The Group's website www.prosticks.com is expected to be launched in the second quarter of 2003 to capture the technical analysis and charting services in North America. Since July 2002, the Group's propriety ProSticks charts has been provided to investors in North America through a U.S. based financial institution. The management believes that the gateway to the North America market was opened and it is a proper timing for the Group to extend into the North America market.

An exhibition in Beijing will be launched in April 2003 to promote ProSticks software to the PRC investors. Currently, the Group is in discussion with different financial market information providers to re-distribute ProSticks services in the Greater China region for which the Group can leverage on the business partner's distribution network and advertising and promotion program so as to minimize marketing expenditures in the PRC.

Although the Group has sustained an operating loss in 2002, the Directors remained optimistic about the future of the securities and banking industry. The Directors believe that by implementing stringent cost control on operating expenses and raise sales through newly developed products/functions, the Group will be able to improve operating results in 2003.

**BUSINESS OBJECTIVES FOR THE PERIOD
FROM 1 JULY 2002 TO 31 DECEMBER 2002**

ACTUAL BUSINESS PROGRESS

Revenue and Business Development

Sales of PC-based ProSticks software in the PRC are expected to become the major source of revenue of the Group;

As mentioned in the interim report, the Company decided to change the distribution channel of ProSticks software in the PRC by licencing to PRC brokerage firms instead of selling PC-based ProSticks software to investors in the PRC. The Company has signed a dealership agreement with a business partner in the PRC

Strengthen the Group's presence in Taiwan market by setting up an office in Taiwan; and

As mentioned in the interim report, the Company decided to postpone development of Taiwan market due to poor performance of stock market

Increase the number of staff for system maintenance of the Group's products

In view of the market situations, the Group has implemented stringent cost control that human resources of the Group were reallocated in order to raise operation effectiveness and efficiencies. The Group considered that it has sufficient manpower to continue its system maintenance and product development

Products and Services

Launch new publication on the applications of ProSticks in Hong Kong, Taiwan and the PRC; and

The Company is in the process of selecting a qualified writer for new ProSticks publication in Hong Kong and PRC market

Commence sales of TAS in the PRC market via local distribution agents

The Group is still in the process of seeking reliable local distribution agents in the PRC

Sales and Marketing

Promote and market product launching in the PRC market

The Company has been actively promoting its operating software products in the PRC by participating exhibition, business seminars and conferences and through business contacts. An executive director was appointed in July 2002 to focus on promotion of products and services in the PRC

Continue to enlarge the sales and marketing team in the PRC market; and

As mentioned in the interim report, the Company considered that it would not be most cost-efficient to expand direct sales force in the PRC. The Group has thus revised its marketing plan and has been actively seeking business partners or resellers for product promotion. A dealership agreement was signed with Business Today for distribution of ProSticks Trend Rider software in the PRC

Establish sales office in Taiwan

As mentioned in the interim report, the Company decided to postpone development of Taiwan market due to poor performance of stock market

Research and development

A. *Financial instruments analysis software products*

Complete system development and testing phase of the artificial intelligence trading system for ProSticks;

The artificial intelligence trading system is in the testing phase. Management expects that the testing will be completed in the second quarter of 2003

Set up a research and development center in the PRC for development of new ProSticks products;

The representative office in Beijing will also take part in the Group's R&D activities. Two R&D staff, lead by two senior product development managers of Hong Kong office, were employed to work on development and localization of the Group's products

Continue the development of derivative ProSticks software products. The Group will apply the basic concept of ProSticks to develop a new application/function by which users can sort out the total volume of orders placed by a specific broker who is queuing for transactions; and

As the result of incompatible data sources, the development of the new application/ function by which users can sort out the total volume of orders placed by a specific broker who is queuing for transaction was proved to be infeasible after detailed testing. The group will continue the development of other derivative ProSticks software products

Commence development of ProSticks software products for the Singapore market

Due to poor performance of the stock market, development of Singapore market has been postponed until the market recovers

B. Operational software applications products

Complete system development and testing phase of the Branches Central Pricing System; and

The development of the basic model of Branches Central Pricing System was completed. The Company however has to customize the system to fit for individual client's need, which is expected to be completed in the second quarter of 2003

Continue to develop more functions to the existing systems

In progress

Human Resources Deployment

General management	6
Sales and marketing	21
Research and development	19
Technical and programming	10
General administration and finance	5
Total	61

General management	5
Sales and marketing	3
Research and development	10
Technical and programming	8
General administration and finance	4
Total	30

USE OF PROCEEDS FROM ISSUANCE OF NEW SHARES*(from 22 November 2001 to 31 December 2002)*

	Proposed (HK\$ million)	Actual (HK\$ million)
Promotion and market development in Hong Kong, the PRC, Taiwan and North America		
— advertising	3.1	0.4
— seminars/roadshows/exhibitions	3.8	0.1
— promotion material/gift	0.5	0.2
— other promotion and market development campaigns	0.6	0.1
Sub-total	8.0	0.8
Research and development		
— ProSticks software products	3.6	2.8
— Operational software applications products	1.0	1.1
Sub-total	4.6	3.9
General working capital	4.0	13.3
Total utilization up to 31 December 2002	16.6	18.0

In light of the depressed economy, the Board took a more prudent approach to implement its future plan. The Group has postponed the implementation of certain products and services and delayed promotion and market development in Taiwan market. The revenue initially expected to be generated through such plans has been postponed and the time schedule initially stated in the Prospectus is affected. Accordingly, listing proceeds applied for general working capital purpose was more than initially proposed as stated in the Prospectus.

The Group intends to carry out its business plan of which the implementation time schedule will be subject to recovery of the markets.

The Company had entered into a subscription agreement with Rapid Falcon Limited on 21 February 2003, under which, subject to certain conditions precedent, the Company has agreed to issue the unlisted convertible bond in the aggregate principal amount of HK\$3 million. The net proceeds of the issue of the unlisted convertible bond are estimated to be approximately HK\$2.95 million from which the Group plans to apply approximately HK\$1 million in pursuing the technical analysis tool market and operation in North America. The Group intends to apply the remaining balance of approximately HK\$1.95 million for general working capital purpose to settle daily operating expenses.

EXECUTIVE DIRECTORS

Mr. Li Ching Ping Vincent, aged 55, is the Chairman of the Group. He is responsible for the overall strategic planning and formulation of corporate policies of the Group. Mr. Li graduated from the University of Manitoba, Canada with a bachelor of science degree in 1971. Mr. Li has years of experience in banking and finance field.

Mr. Chan Chee Ming Harris, aged 47, is the executive director and Chief Representative in Greater China Region of the Group. Mr. Chan is responsible for the overall management and business development of the Group. Mr. Chan graduated from Century University, with a bachelor degree in business administration. Mr. Chan has over 20 years of market development experience in the PRC, Taiwan and Hong Kong.

Mr. Yip James, aged 49, is appointed the executive Director and Chief Executive Officer of the Group in January 2003. Mr. Yip is responsible for corporate and business development and management of daily operations of the Group. Mr. Yip holds a master degree in applied finance from Macquarie University in Australia. Mr. Yip has more than 20 years banking and financial market experiences in the Asia Pacific region. He was the founder and Chief Operating Officer of iMarkets Limited, a wholly owned subsidiary of Cheung Kong Holdings Ltd. Mr. Yip was formerly the president of the Hong Kong Financial Markets Association.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Ng Ge Bun, aged 45, was appointed an independent non-executive Director of the Company in November 2001. Mr. Ng holds the degree of bachelor of science and of bachelor of laws. He obtained a postgraduate certificate in laws from the University of Hong Kong. He is a solicitor of the Supreme Court of Hong Kong and currently serves as Senior Partner of Messrs. Ng & Lam, Solicitors.

Mr. Wan Yiu Kwan Stephen, aged 46, was appointed an independent non-executive Director of the Company in November 2001. Mr. Wan graduated from the University of Hong Kong with a bachelor degree in social sciences in 1979. He is an associate of The Chartered Secretaries and Administrations, UK. He has over 9 years of experience in banking and finance field. He currently focuses on developing private businesses in the PRC relating to the health care industry.

SENIOR MANAGEMENT

Mr. Cheng Chi Kong, aged 30, is the Chief Technical Officer of the Group. He is primarily responsible for software development and maintenance. Mr. Cheng graduated from the University of Hong Kong with a bachelor's degree in engineering in 1995. He is a Certified Information System Auditor and has more than 8 years Information Technology experience. He joined the Group in April 2000.

Mr. Chan Cheong Pang, aged 30, is the Senior Business Manager of the Group. He is primarily responsible for system design, analysis, development and implementation of the operational software application. Mr. Chan graduated from the Hong Kong University of Science and Technology with a bachelor's degree in computer science in 1994. He is a Certified Information System Auditor and has more than 8 years Information Technology experience. He joined the Group in April 2000.

Mr. Lau Chi Ming, aged 30, is the Product Development Manager of the Group. He is responsible for development and maintenance of the financial instruments analysis software products. Mr. Lau graduated from the University of Hong Kong with a bachelor's degree in computer science in 1995. Mr. Lau has more than 7 years experience in information technology and he joined the Group in April 2002.

Ms. Chan Oi Chi Joyce, aged 30, is the Product Development Manager of the Group. She is responsible for system design, analysis, development and implementation of the financial instruments analysis software products. Ms. Chan graduated from the University of Hong Kong with a bachelor's degree in computer science in 1995. Ms. Chan has more than 7 years experience in information technology and she joined the Group in April 2002.

Ms. Ho Wai Man Heidi, aged 32, is the Financial Controller, Qualified Accountant and Company Secretary of the Group. Ms. Ho is responsible for the overall management of the financial function of the Group. Ms. Ho is a member of American Institute of Certified Public Accountants and holds a master degree in financial management. Before joining the Group in August 2001, Ms. Ho had served in an international accountancy firm, and several publicly listed companies in Hong Kong.

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 14 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and loss from operating activities by principal activity and geographical area of operations for the year ended 31 December 2002 is set out in note 11 to the financial statements.

RESULTS AND DIVIDEND

The Group's loss for the year ended 31 December 2002 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 25 to 52.

The directors do not recommend payment of any final dividend in respect of the year ended 31 December 2002.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the audited consolidated results and assets and liabilities of the Group for each of the three years ended 31 December 2002 prepared on the basis set out in notes below:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover	4,110	3,625	821
Loss before tax	20,292	7,383	12,884
Net loss after tax	20,292	7,383	12,884
Total assets	13,518	31,738	7,212
Total liabilities	4,070	3,798	302

1. The summary of the combined results for the year ended 31 December 2000 has been extracted from the Company's prospectus dated 29 November 2001, when the listing of the shares of the Company was sought on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.
2. The results for the years ended 31 December 2001 and 2002 have been extracted from the consolidated income statement as set out on page 25.

FIXED ASSETS

Details of movements in the fixed assets of the Group are set out in notes 12 and 13 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 14 to the financial statements.

BORROWINGS

Details of the borrowings of the Group are set out in note 18 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year together with the reasons therefore, and details of the Company's share option scheme are set out in note 19 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 20 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2002, the Company's reserves available for distribution amounted to approximately HK\$7,012,000 (2001: HK\$20,938,000). In accordance with the laws of the Cayman Islands, the Company's share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debt as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

There are no provision of pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Other than in connection with the Company's issuance of 20 million new shares for acquisition of entire issued share capital of Global Media Services Limited, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

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

Sales	
— the largest customer	14%
— five largest customers in aggregate	48%
Purchases	
— the largest supplier	29%
— five largest suppliers in aggregate	70%

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

DIRECTORS

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

Executive directors

Mr. Li Ching Ping Vincent	
Mr. Chan Chee Ming Harris	(appointed on 26 July 2002)
Mr. Yip James	(appointed on 1 January 2003)
Mr. Goh Gen Cheung	(resigned on 1 September 2002)
Mr. Ha Kee Choy Eugene	(appointed on 10 January 2002 and resigned on 6 June 2002)

Independent non-executive directors

Mr. Ng Ge Bun
Mr. Wan Yiu Kwan Stephen

In accordance with Article 87 of the Company's Article of Association, Mr. Ng will retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of directors and senior management are set out on pages 14 to 15 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Li Ching Ping Vincent, being the executive Director, has entered into a service contract with the Company for a term of two years, commencing on 27th November 2001, which shall continue thereafter unless and until terminated by either party giving to the other not less than three months' notice in writing expiring not earlier than the end of the term.

Each of Mr. Chan Chee Ming Harris and Mr. James Yip, being the executive Directors, has entered into a service contract with the Company for a term of two years, commencing from 26th July 2002 and 1st January 2003 respectively, which will continue thereafter unless and until terminated by either party giving to the other not less than three months' notice in writing.

Each of the independent non-executive directors was appointed on 26th November 2001 for an initial period of one year and thereafter shall continue for further successive periods of one year, provided that either party may terminate the appointment by giving at least one month's notice in writing.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Company to which the Company, its holding company or any of its subsidiaries was a party during the year.

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

Details of the directors' remuneration and of the five highest paid employees in the Group are set out in notes 6 and 7 to the financial statements.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2002, the interests of the directors and their associates in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of interests) Ordinance (the "SDI Ordinance") were as follows:

Name of directors	Number of shares held and nature of interests		Total
	Personal	Corporation	
Mr. Li Ching Ping Vincent (<i>Note 1</i>)	—	90,479,242	90,479,242

Notes:

1. These shares are held by Great Power Associates Limited, a company wholly owned by Mr. Li Ching Ping Vincent.
2. Nominee shares in subsidiaries has been held by a director in trust for the group as at 31 December 2002.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Pursuant to the Company's Pre-IPO share option scheme adopted on 24 November 2001, the Company granted certain options to a director who resigned on 6 June 2002 to subscribe for 40,000,000 ordinary shares of the Company. The director had waived his right to subscribe for 40,000,000 ordinary shares of the Company upon his resignation. No share option was exercised during the year.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder	Number of shares	Percentage of share holding
Great Power Associates Limited*	90,479,242	22.62%
Frankie Dominion International Limited	75,260,986	18.82%
New Dragon Ventures Limited	58,571,982	14.64%

* The shareholding is duplicated in the directors' interests in shares disclosed above.

Save as disclosed above, no other person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

SPONSOR'S INTEREST

As updated and notified by the Company's sponsor, REXCAPITAL (Hong Kong) Limited (the "Sponsor"), as at 31 December 2002 and as at the date of this report, the Sponsor, its directors, employees or associates, did not have any interest in the securities of the Company and any members of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any members of the Group. Pursuant to the agreement dated 28 November 2001 entered into between the Company and the Sponsor, the sponsor received, and will receive, fees for acting as the Company's retainer Sponsor for the period from 28 November 2001 to 31 December 2003.

COMPETING INTEREST

During the year, none of the directors nor the management shareholders of the Company had any interest in any business that directly or indirectly competed with the business of the Group.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules throughout the financial year.

AUDIT COMMITTEE

The Company has established an audit committee on 26 November 2001 with written terms of reference for the purpose of reviewing and supervising the Company's financial reporting and internal control procedures. The committee comprises the two independent non-executive directors, namely Mr. Ng Ge Bun and Mr. Wan Yiu Kwan Stephen. The committee has met four times during the financial year of 2002. The Group's financial statements for the year ended 31 December 2002 have been reviewed by the committee, who were of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures had been made.

AUDITORS

The financial statements for each of the two years ended 31 December 2001 and 2002 of the Company have been audited by Messrs. Moores Rowland who replaced Messrs. RSM Nelson Wheeler as auditors on 18 February 2002.

A resolution to reappoint Messrs. Moores Rowland as auditors of the Company for the ensuing year will be proposed at the forthcoming annual general meeting.

On behalf of the board

Li Ching Ping Vincent

Chairman

Hong Kong, 25 March 2003



To the members

ProSticks International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 25 to 52 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, 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 of the Group as at 31 December 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moore's Rowland

Chartered Accountants

Certified Public Accountants

Hong Kong, 25 March 2003

Consolidated Income Statement

Year ended 31 December 2002

	<i>Note</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	4	4,110	3,625
Cost of sales		(3,774)	(2,703)
Gross profit		336	922
Other revenue	4	222	80
Other income		36	172
Advertising and promotion expenses		(782)	(469)
Administrative expenses		(17,772)	(8,060)
Other operating expenses		(2,304)	—
Loss from operations		(20,264)	(7,355)
Finance costs	5	(28)	(28)
Loss from ordinary activities before taxation	5	(20,292)	(7,383)
Taxation	8	—	—
Net loss attributable to shareholders	9	(20,292)	(7,383)
Dividends		—	—
Loss per share			
Basic	10	5.01 cents	2.40 cents

Consolidated Balance Sheet

At 31 December 2002

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ProSticks International Holdings Limited

	Note	2002 HK\$'000	2001 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	12	1,746	1,548
Intangible assets	13	2,651	1,821
		4,397	3,369
Current assets			
Inventories	15	38	—
Trade and other receivables	16	1,588	1,843
Cash and bank balances		7,495	26,526
		9,121	28,369
Current liabilities			
Trade and other payables	17	(4,070)	(1,798)
Net current assets		5,051	26,571
Total assets less current liabilities		9,448	29,940
Non-current liabilities			
Non-current interest-bearing borrowings	18	—	(2,000)
NET ASSETS		9,448	27,940
CAPITAL AND RESERVES			
Issued capital	19	4,200	4,000
Reserves	20	5,248	23,940
		9,448	27,940

Approved and authorised for issue by the Board of Directors on 25 March 2003

CHAN CHEE MING HARRIS
Director

YIP JAMES
Director

Balance Sheet

At 31 December 2002

	<i>Note</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	14	4,278	12
Current assets			
Trade and other receivables	16	210	1,241
Cash and bank balances		7,094	26,460
		7,304	27,701
Current liabilities			
Trade and other payables	17	(370)	(775)
Net current assets		6,934	26,926
Total assets less current liabilities		11,212	26,938
Non-current liabilities			
Non-current interest-bearing borrowings	18	—	(2,000)
NET ASSETS		11,212	24,938
CAPITAL AND RESERVES			
Issued capital	19	4,200	4,000
Reserves	20	7,012	20,938
		11,212	24,938

Approved and authorised for issue by the Board of Directors on 25 March 2003

CHAN CHEE MING HARRIS
Director**YIP JAMES**
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2002

	Note	2002 HK\$'000	2001 HK\$'000
Total shareholders' equity			
At beginning of year		27,940	6,898
Issue of shares	19 & 20	1,800	12
Issue of placing shares	19	—	33,000
Issue of share by subsidiaries	20	—	3,427
Issue expenses	20	—	(8,014)
Net loss for the year		(20,292)	(7,383)
At balance sheet date		9,448	27,940

Consolidated Cash Flow Statement

At 31 December 2002

	Note	2002 HK\$'000	2001 HK\$'000
OPERATING ACTIVITIES			
Net cash outflow generated from operations	22	(14,765)	(6,182)
Interest paid		(56)	—
Net cash outflow from operating activities		(14,821)	(6,182)
INVESTING ACTIVITIES			
Interest received		222	66
Additions to development costs		(1,657)	(1,818)
Purchase of plant and equipment		(775)	(553)
Net cash used in investing activities		(2,210)	(2,305)
FINANCING ACTIVITIES			
Issue of a convertible note		—	2,000
Issue of shares	23	—	—
Issue of shares by subsidiaries		—	3,427
Issue of placing shares		—	33,000
Redemption of a convertible note		(2,000)	—
Issue expenses paid		—	(8,014)
Net cash (used in) from financing activities		(2,000)	30,413
Net (decrease) increase in cash and cash equivalents		(19,031)	21,926
Cash and cash equivalents at beginning of year		26,526	4,600
Cash and cash equivalents at end of year		7,495	26,526
Analysis of balances of cash and cash equivalents			
Cash and bank balances		7,495	26,526

1. GENERAL

The Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law (Revised) of the Cayman Islands on 10 July 2001. The shares of the Company were listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited on 5 December 2001.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are shown in Note 14 to the financial statements.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December. The results of the subsidiary companies acquired or disposed of during the year are dealt with in the consolidated income statement from the effective dates of acquisition or up to effective dates of disposal. All significant inter-company balances and transactions have been eliminated on consolidation.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Going concern

The Group sustained a consolidated net loss attributable to shareholders of approximately HK\$20,292,000 for the year ended 31 December 2002 (2001: HK\$7,383,000). In view of the substantial losses in consecutive years, the directors have carefully reviewed the Group's cash position as at the balance sheet date and the cash flow forecast for the next twelve months. In reviewing the Group's cash flows, the directors have taken into account of the following factors:

- cash generated from the issue of a convertible bond in the principal amount of HK\$3 million;
- cash generated or to be generated from increased demand of the Group's system services and new products to be launched;
- commitment on continuous development and improvement of the Group's products; and
- the flexibility of the Group's cost structure.

The directors believe that the Group is able to meet its financial obligations in full as and when they fall due and consider that the preparation of financial statements on a going concern basis is appropriate.

3. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Statements of Standard Accounting Practice (“SSAP”) and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (“GEM listing rules”). A summary of the principal accounting policies adopted by the Group is set out below.

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably.

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

System services and maintenance income is recognised in the period when services are rendered.

Membership subscription fees are recognised on the straight-line basis over the term of the subscription period.

Interest income is recognised on a time proportion basis on the principal outstanding and at the interest rate applicable.

Property, plant and equipment

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

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Major costs incurred in restoring assets to their normal working conditions are charged to the income statement.

The gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised as income or expense in the income statement.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)***Property, plant and equipment** *(Continued)*

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, over their estimated useful lives from the date on which they become fully operational and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvement	10%
Equipment	20%
Furniture and fixtures	20%

Subsidiaries

A subsidiary is an enterprise, in which the Company, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities. Investments in subsidiaries are stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted to the extent of dividends received and receivable.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Impairment loss

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its tangible and intangible assets have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its net selling price and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as expense immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies

The Group maintains its accounting records in Hong Kong dollars and transactions involving foreign currencies are translated at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange ruling at that date. Translation differences are included in the income statement.

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

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of 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 asset will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

Intangible assets

Research and development costs

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

Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred.

The development costs that have been capitalised are amortised from the commencement of provision of financial instruments analysis software applications to subscribers on a straight-line method not more than 3 years or over the useful lives of such applications, whichever are shorter.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable under operating leases are recognised as an expense on the straight-line basis over the lease terms. Lease incentives received are recognised in the income statement as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

Cash equivalents

For the purpose of cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, net of bank overdrafts. For balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Retirement benefits scheme

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are recognised as an expense as they become payable in accordance with the rules of the scheme.

Provisions

Provisions are recognised when the Group has a present legal or constructive present obligation as a result of past events it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Related party

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)**Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses.

4. TURNOVER AND REVENUE

The Group is principally engaged in the development, production and distribution of financial instruments analysis software and operational software applications products in Hong Kong.

Turnover and revenue recognised by category are as follows:

	2002 HK\$'000	2001 HK\$'000
Turnover		
Membership subscription fees	1,126	803
System services and maintenance income	2,984	2,822
	4,110	3,625
Other revenue		
Interest income	222	80
Revenue	4,332	3,705

Notes to the Financial Statements

Year ended 31 December 2002

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ProSticks International Holdings Limited

5. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

	2002 HK\$'000	2001 HK\$'000
(a) Finance costs		
Interest on convertible notes	28	28
	2002 HK\$'000	2001 HK\$'000
(b) Other items		
Staff costs (including directors' emoluments (note 6))		
— Basic salaries and allowances	13,668	7,000
— Pension scheme contribution	177	209
Less: Amounts capitalised as development costs	13,845 (1,242)	7,209 (1,513)
	12,603	5,696
Cost of services provided	3,755	2,703
Auditors' remuneration	185	204
Depreciation of plant and equipment	453	329
Less: Amounts capitalised as development costs	—	(3)
	453	326
Amortisation of development costs	447	—
Operating leases for premises	1,018	877
Operating leases for plant and equipment	414	—
Less: Amounts capitalised as development costs	(191)	(117)
	1,241	760
Research and development expenditure (included in administrative expenses)	2,446	1,827
Write-off of plant and equipment	124	—
Impairment on development costs	2,180	—

6. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance and the GEM listing rules are as follows:

	2002 HK\$'000	2001 HK\$'000
Fees paid to independent non-executive directors	220	22
<i>Director A</i>		
Basic salaries, housing allowance, other allowances and benefits in kind	1,440	840
Discretionary bonuses	2,000	426
Pension scheme contributions	12	12
	3,452	1,278
<i>Director B</i>		
Basic salaries, housing allowance, other allowances and benefits in kind	240	360
Discretionary bonuses	—	54
Pension scheme contributions	12	12
	252	426
<i>Director C</i>		
Basic salaries, housing allowance, other allowances and benefits in kind	363	—
Discretionary bonuses	1,000	—
Pension scheme contributions	5	—
	1,368	—
<i>Director D</i>		
Fee	3	10
Basic salaries, housing allowance, other allowances and benefits in kind	585	—
Joining fee paid	400	—
Compensation for loss of office paid	2,292	—
Pension scheme contributions	6	—
	3,286	10
	8,578	1,736

Each of the two independent non-executive directors was paid a director's fee of HK\$110,000 (2001: HK\$11,000) during the year.

In addition to the above emoluments, one of the directors, Director D, was granted share options under the Company's Pre-IPO Share Option Scheme. The details of these benefits in kind are disclosed in the section of "Directors' right to acquire shares" in the report of the directors.

There was no agreement under which a director waived or agreed to waive any emoluments during the year.

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Year ended 31 December 2002

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7. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals include three (2001: two) directors, details of whose emoluments are set out in note 6 above. The details of the emoluments paid to the remaining highest paid employees are as follows:

	2002 HK\$'000	2001 HK\$'000
Basis salaries, housing allowance, other allowances and benefits in kind	846	1,200
Discretionary bonuses	—	156
Pension scheme contributions	24	36
	870	1,392

The number of the remaining highest paid employees whose emoluments fell within the following bands is as follows:

	No. of employees	
	2002	2001
Nil to HK\$1,000,000	2	3

8. TAXATION

Hong Kong Profits Tax has not been provided as the Group has no assessable profit for the year (2001: Nil).

No provision for income tax by a subsidiary operating in Canada as the subsidiary has sustained a loss for the year.

The major components of deferred taxation not credited (provided) for the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Excess of tax allowances over depreciation	119	(137)
Tax losses arising	3,078	1,440
Other timing differences	(418)	—
	2,779	1,303

9. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders included a loss of HK\$15,526,000 (2001: HK\$60,000) which has been dealt with in the financial statements of the Company.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders of HK\$20,292,000 (2001: loss of HK\$7,383,000) and the weighted average of 404,712,329 ordinary shares (2001: 307,671,233 shares) in issue during the year.

No amounts have been presented for the diluted loss per share because the Pre-IPO Share Options and convertible note outstanding during the years ended 31 December 2002 and 2001 had an anti-dilutive effect on the basic loss per share for the years.

11. SEGMENT REPORTING

(a) Primary reporting format - business segments

The Group comprises two main business segments:

Financial instruments analysis software products

They are designed to provide analytical solutions to both institutional and individual investors.

Operational software applications products

They are designed to provide solutions to financial institutions for the automation and integration of various operational functions.

Notes to the Financial Statements

Year ended 31 December 2002

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ProSticks International Holdings Limited

11. SEGMENT REPORTING (Continued)

(a) Primary reporting format - business segments (Continued)

	Financial instruments analysis software products		Operational software applications products		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Revenue						
Segment revenue	1,126	803	2,984	2,822	4,110	3,625
Result						
Segment result	(6,945)	(3,645)	1,703	2,012	(5,242)	(1,633)
Unallocated operating income and expenses					(15,022)	(5,722)
Loss from operations					(20,264)	(7,355)
Finance costs					(28)	(28)
Loss from ordinary activities before taxation					(20,292)	(7,383)
Taxation					—	—
Net loss attributable to shareholders					(20,292)	(7,383)
Assets and liabilities						
Segment assets	3,758	3,184	800	204	4,558	3,388
Unallocated assets					8,960	28,350
Total assets					13,518	31,738
Segment liabilities	269	366	201	278	470	644
Unallocated liabilities					3,600	3,154
Total liabilities					4,070	3,798
Other information						
Capital expenditure incurred during the year	2,069	2,175	74	74		
Depreciation for the year	183	219	133	51		

(b) Secondary reporting format-geographical segments

The Group's operations are located in Hong Kong throughout the year. No analysis by geographical segments is provided.

12. PLANT AND EQUIPMENT

	Leasehold improvement <i>HK\$'000</i>	Equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
The Group				
Cost				
At beginning of year	418	1,507	122	2,047
Additions	173	483	119	775
Disposals	(92)	(66)	—	(158)
At balance sheet date	499	1,924	241	2,664
Accumulated depreciation				
At beginning of year	55	404	40	499
Charge for the year	47	366	40	453
Eliminated on disposals	(6)	(28)	—	(34)
At balance sheet date	96	742	80	918
Net book value				
At balance sheet date	403	1,182	161	1,746
At beginning of year	363	1,103	82	1,548

Notes to the Financial Statements

Year ended 31 December 2002

13. INTANGIBLE ASSETS

	Financial software application <i>HK\$'000</i>	Development costs <i>HK\$'000</i>	Total <i>HK\$'000</i>
The Group			
At beginning of year	—	1,821	1,821
Additions from internal development	—	1,657	1,657
Addition through acquisition of a subsidiary	1,800	—	1,800
Impairment loss	—	(2,180)	(2,180)
Amortisation charges	—	(447)	(447)
At balance sheet date	1,800	851	2,651
2002			
Cost	1,800	3,478	5,278
Accumulated amortisation and impairment loss	—	(2,627)	(2,627)
Net book value	1,800	851	2,651
2001			
Cost	—	1,821	1,821
Accumulated amortisation and impairment loss	—	—	—
Net book value	—	1,821	1,821

During the year, the condition of both Hong Kong and China Stock markets deteriorated. Development costs on projects affected by this change in market condition were written down to the estimated net amounts recoverable from the projects.

14. INTERESTS IN SUBSIDIARIES

	The Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	12	12
Due from subsidiaries	19,029	—
Due to subsidiaries	(287)	—
	18,754	12
Provision for doubtful debts	(14,476)	—
	4,278	12

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

Details of the subsidiaries at the balance sheet date are as follows:

Name of subsidiary	Place of incorporation and operations	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiary	
ProSticks (B.V.I.) Limited	British Virgin Islands	US\$1,235,700 Ordinary	100%	100%	—	Investment holding
ProSticks.com Limited	Hong Kong	HK\$13,000,000 Ordinary	100%	—	100%	Development and provision of financial instruments analysis, software products and operational software applications products
ProSticks Technology Limited	Hong Kong	HK\$2 Ordinary	100%	—	100%	PRC market development and development of financial instruments analysis software products

Notes to the Financial Statements

Year ended 31 December 2002

14. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation and operations	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiary	
ProSticks Publication Limited	Hong Kong	HK\$2 Ordinary	100%	—	100%	Publication of books
ProSticks Multi-text Limited (formerly known as World Funding Investment Limited)	Hong Kong	HK\$5,000,000 Ordinary	100%	—	100%	Dormant
ProSticks Advisory Workshop Limited	Hong Kong	HK\$2 Ordinary	100%	—	100%	Dormant
ProSticks Financial Solutions Limited	Canada	CAD1 Ordinary	100%	—	100%	Engagement in research and development of financial instruments analysis software products
Daily Vantage Investment Limited	Hong Kong	HK\$2 Ordinary	100%	—	100%	Dormant
Global Media Services Limited	British Virgin Islands	US\$1 Ordinary	100%	—	100%	Dormant

15. INVENTORIES

	The Group 2002 HK\$'000	2001 HK\$'000
Merchandise held for resale	38	—

All inventories are carried at cost at the balance sheet date.

16. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables				
From third parties (Note)	399	—	—	—
Other receivables				
Deposits, prepayments and other debtors	1,189	1,843	210	1,241
	1,588	1,843	210	1,241

Note: The age analysis of trade receivables is as follows:

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Within 3 months	175	—
Over 3 months but less than 1 year	224	—
	399	—

General credit terms that the Group offers to customers are 30 days from billing.

17. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables				
Receipts in advance				
— membership		150	—	—
— subscription fee	165		—	—
— system services and				
— maintenance income	201	198	—	—
— others	2	2	—	—
Accrued charges and other creditors	3,702	1,448	370	775
	4,070	1,798	370	775

Notes to the Financial Statements

Year ended 31 December 2002

18. NON-CURRENT INTEREST-BEARING BORROWINGS

	The Group and The Company	
	2002	2001
	HK\$'000	HK\$'000
Convertible note, unsecured	—	2,000

The convertible note was issued on 27 August 2001. The note bore interest from and including the date of issue of the note at the rate of 4% per annum. The Company repaid the whole principal amount of the convertible note together with all outstanding interest on 10 May 2002.

19. ISSUED CAPITAL

	2002		2001	
	No. of shares	HK\$'000	No. of shares	HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each	8,000,000,000	80,000	8,000,000,000	80,000
<i>Issued and fully paid:</i>				
At beginning of year	400,000,000	4,000	—	—
New shares issued	20,000,000	200	101,235,700	1,012
Capitalisation issue	—	—	298,764,300	2,988
At balance sheet date	420,000,000	4,200	400,000,000	4,000

The following changes in the Company's authorised and issued share capital took place during the period from 10 July 2001 (date of incorporation) to 31 December 2002:

- The Company was incorporated on 10 July 2001 in the Cayman Islands with authorized share capital of HK\$80,000,000 divided into 800,000,000 shares with a nominal value of HK\$0.10 each. On the same day, one share of HK\$0.10 each was allotted and issued at par to the initial subscriber.
- Pursuant to the written resolution passed by the sole shareholder on 24 August 2001, each of the issued and unissued share of HK\$0.10 each of the Company was subdivided into 10 shares of HK\$0.01 each.
- On 23 November 2001, the issued share capital of the Company was increased to HK\$0.21 by allotting 11 ordinary shares of HK\$0.01 each, for cash at a premium of HK\$0.99 per share. These shares rank pari passu with the existing shares in all respects.

19. ISSUED CAPITAL (Continued)

- (d) Pursuant to the contract entered with the then existing shareholders of ProSticks (B.V.I.) Limited on 24 November 2001, the Company agreed to issue 1,235,679 new shares to acquire the entire issued share capital of ProSticks (B.V.I.) Limited held by them.
- (e) As a result of the placement, an amount of HK\$2,987,643 standing in the credit of the share premium account of the Company was applied to pay up in full at par a total of 298,764,300 shares for allotment and issue to holders of shares whose name appeared on the register of members of the Company as at the close of business on 28 November 2001, or as they may direct, in proportion to their then existing shareholdings in the Company.
- (f) On 4 December 2001, 100,000,000 shares of HK\$0.01 each were issued to public by way of placement at HK\$0.33 per share.
- (g) On 7 October 2002, an aggregate of 20,000,000 shares of HK\$0.01 each were allotted and issued, credited as fully paid at HK\$0.09 each as consideration for the acquisition of the entire issued share capital of Global Media Services Limited. These shares rank pari passu with the existing shares in all respects.

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

	Number of shares issued	Issued and fully paid share capital HK\$'000
Share allotted and issued and fully paid at par on incorporation	1	—
Increase on subdivision of each share into 10 shares	9	—
Shares allotted and issued and fully paid at premium	11	—
Shares issued as consideration for the acquisition of entire issued share capital of ProSticks (B.V.I.) Limited	1,235,679	12
Pro forma issued share capital as at 31 December 2000	1,235,700	12
New issue by way of placement	100,000,000	1,000
Capitalisation of the share premium arising from new issue by way of placement	298,764,300	2,988
Issued share capital as at 31 December 2001	400,000,000	4,000
New issue of shares to acquire Global Media Services Limited	20,000,000	200
Issued share capital as at 31 December 2002	420,000,000	4,200

19. ISSUED CAPITAL *(Continued)***Share Option Scheme**

Pursuant to the Share Option Scheme adopted by the Company on 24 November 2001, the Company may, at its discretion, grant options to any employee of the Group or any other person who have contributed or will contribute to the Group to subscribe for shares of the Company at a subscription price determined by the Board of Directors and notified to each grantee and shall be no less than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant of the option, which must be a business day, (ii) the average closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of the option, and (iii) the nominal value of a Company's share. An option may be exercised at any time during the period notified by the Board of Directors to each grantee provided that the period within which the option must be exercised shall not be more than 10 years from the date of grant of the option.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Company must not, in aggregate, exceed 10% of the share in issue on 5 December 2001.

As at 31 December 2002, no options under this scheme were granted.

Pre-IPO Share Option Scheme

Pursuant to the Pre-IPO Share Option Scheme adopted by the Company on 24 November 2001, the Company may, at its discretion, grant options to any employee of the Group or any other person who have contributed or will contribute to the Group to subscribe for shares of the Company at a subscription price of HK\$0.12 per share, representing a discount of approximately 64% of the placing price. On 27 November 2001, a past director of the Group was granted options to subscribe for 40,000,000 shares in the Company (where details are disclosed in the section of "Directors' rights to acquire shares" in the report of the directors), and an ex-employee of the Group was granted options to subscribe for 4,000,000 shares in the Company.

Each of the grantee to whom options have been granted under the Pre-IPO Share Option Scheme will be entitled to exercise any time between 5 December 2001 and 4 December 2011 (both date inclusive). Upon acceptance of the grant of options, the share options of a subsidiary granted to each grantee were cancelled. No other consideration was received by the Company.

No options had been exercised, cancelled or lapsed during the year.

20. RESERVES

	Share premium <i>HK\$ '000</i>	Capital reserve <i>HK\$ '000</i>	Accumulated losses <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
The Group				
At 1 January 2001	—	20,988	(14,090)	6,898
Issue of shares by subsidiaries	—	3,427	—	3,427
Issue of shares	—	—	—	—
Issue of placing shares	32,000	—	—	32,000
Capitalisation issue of shares	(2,988)	—	—	(2,988)
Issue expenses	(8,014)	—	—	(8,014)
Net loss for the year	—	—	(7,383)	(7,383)
At 31 December 2001	20,998	24,415	(21,473)	23,940
Issue of shares	1,600	—	—	1,600
Net loss for the year	—	—	(20,292)	(20,292)
At 31 December 2002	22,598	24,415	(41,765)	5,248
	Share premium <i>HK\$ '000</i>	Accumulated loss <i>HK\$ '000</i>	Total <i>HK\$ '000</i>	
The Company				
Issue of shares	—	—	—	—
Issue of placing shares	32,000	—	—	32,000
Capitalisation issue of shares	(2,988)	—	—	(2,988)
Issue expenses	(8,014)	—	—	(8,014)
Net loss for the year	—	(60)	(60)	(60)
At 31 December 2001	20,998	(60)	—	20,938
Issue of shares	1,600	—	—	1,600
Net loss for the year	—	(15,526)	—	(15,526)
At 31 December 2002	22,598	(15,586)	—	7,012

The capital reserve of the Group represents the excess of the nominal value of the share capital and the share premium account of the subsidiaries acquired pursuant to the Group reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

20. RESERVES (Continued)

Pursuant to the Companies Law of the Cayman Islands and the Company's Articles of Association, the share premium of the Company is distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay its debts as they fall due in the ordinary course of business. At 31 December 2002, in the opinion of the directors, the Company's reserves available for distribution to shareholders amounted in total to approximately HK\$7,012,000 (2001: HK\$20,938,000).

21. DEFERRED TAXATION

At the balance sheet date, the major components of the deferred taxation assets (liabilities) unprovided are as follows:

	The Group		The Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Excess of tax allowances over depreciation	(185)	(304)	—	—
Tax losses carried forward	6,320	3,242	146	—
Other timing differences	(418)	—	—	—
	5,717	2,938	146	—

A potential deferred tax asset has not been recognised in the financial statements in respect of tax losses available to set off future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

22. CASH FLOWS FROM OPERATING ACTIVITIES

	2002	2001
	HK\$'000	HK\$'000
Loss from ordinary activities before taxation	(20,292)	(7,383)
Depreciation	453	326
Interest income	(222)	(80)
Interest expenses	28	28
Amortisation of development costs	447	—
Impairment loss on development costs	2,180	—
Write-off of plant and equipment	124	—
Changes in working capital:		
Inventories	(38)	—
Trade and other receivables	256	(541)
Trade and other payables	2,299	1,468
Net cash outflow generated from operations	(14,765)	(6,182)

23. MAJOR NON-CASH TRANSACTION

On 16 September 2002, the Group acquired the entire issued share capital of Global Media Services Limited for a consideration of HK\$1,800,000 satisfied by way of issue of 20,000,000 shares at HK\$0.09 each. The shares were allotted and issued on 7 October 2002.

	<i>HK\$'000</i>
Net assets acquired:	
Financial software application	1,800
Goodwill arising on consolidation	—
Total consideration satisfied by shares	1,800

24. COMMITMENTS UNDER OPERATING LEASES

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Within one year	999	796
In the second to fifth years inclusive	683	196
	1,682	992

25. RETIREMENT BENEFITS SCHEMES

According to the Mandatory Provident Fund (the "MPF") legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, the Group is participating in the MPF scheme operated by approved trustees in Hong Kong and is making contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited to 5% of HK\$20,000 for each eligible employee) as calculated under the MPF legislation. Total contributions paid by the Group into the MPF for the year ended 31 December 2002 amounted to HK\$177,000 (2001: HK\$209,000).

26. POST BALANCE SHEET EVENT

On 21 February 2003, the Company entered into a subscription agreement with a subscriber under which the Company has agreed to issue an unlisted convertible bond of an aggregate principal amount of HK\$3,000,000 to a subscriber. Had the bond converted on or before the maturity date, a total of 60,000,000 new shares, representing approximately 14.29% of the existing issued share capital of the Company will be issued at a conversion price of HK\$0.05 each, subject to adjustment, if any.

NOTICE IS HEREBY GIVEN that the 2002 Annual General Meeting of the Company will be held at 15th Floor, Asia Financial Centre, 120 Des Voeux Road Central, Hong Kong on Monday, 28 April 2003 at 11:00 a.m. for the following purposes:

1. To consider and adopt the audited financial statements and the reports of the directors and auditors for the year ended 31 December 2002.
2. To re-elect retiring director and to authorize the board of directors to fix directors' remuneration.
3. To re-appoint auditors and to authorize the board of directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass the following resolutions with or without amendments as Ordinary Resolutions;
 - A. **"THAT:**
 - (a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company ("Directors") during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into such shares or options, warrants, or similar rights to subscribe for any shares or convertible securities and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
 - (c) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise), issued or dealt with by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) of this Resolution), (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company, (iii) the exercise of any options granted under any option scheme or similar arrangement for the time being adopted for the grant or issue to eligible persons of options to subscribe for, or rights to acquire, shares of the Company or, (iv) any scrip dividend or similar arrangement providing for the allotment of shares in the capital of the Company in lieu of the whole or part of the cash payment for any dividend on shares of the Company pursuant to the Articles of Association

of the Company from time to time, shall not in aggregate exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and

- (d) for the purpose of this Resolution:—

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:—

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in a general meeting.

“Rights Issue” means the allotment, issue or grant of shares in the capital of the Company pursuant to an offer of shares open for a period fixed by the Directors made to holders of shares of the Company or any class thereof whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in or in any territory applicable to the Company).”

B. “THAT:

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as defined in paragraph (c) of this Resolution) of all the powers of the Company to repurchase its own issued shares in the capital of the Company in accordance with laws and requirements and regulations of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchanges on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

- (b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly; and
 - (c) for the purpose of this Resolution:—
 - “Relevant Period” means the period from the passing of this Resolution until whichever is earlier of:—
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law of the Cayman Islands to be held; and
 - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in General Meeting.”
- C. **“THAT** subject to the passing of the Ordinary Resolution Nos. 4A and 4B, the general mandate granted to the Directors to allot, issue and deal with additional securities pursuant to Resolution No. 4A be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares repurchased by the Company under the authority granted pursuant to Resolution No. 4B, provided that such amount of shares so repurchased shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing this Resolution.”

By Order of the Board
Li Ching Ping Vincent
Chairman

Hong Kong, 25 March 2003

Principal Place of Business in Hong Kong:

15th Floor
Asia Financial Centre
120 Des Voeux Road Central
Hong Kong

Notes:

1. The Register of Members of the Company will be closed from, Thursday, 24 April 2003 to Monday, 28 April 2003, both days inclusive, during which no transfer of shares can be registered. In order to qualify for attending and voting at the forthcoming Meeting of the Company, all shares transfer, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch registrar in Hong Kong, Tengis Limited, at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on 23 April 2003.
2. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the Meeting. A proxy need not be a member of the Company.
3. To be valid, a form of the proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be delivered at the Company's branch registrar in Hong Kong, Tengis Limited, at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than forty-eight hours before the appointed time for holding the Meeting.
4. Completion and return of the form of proxy will not preclude members from attending and voting at the annual general meeting.