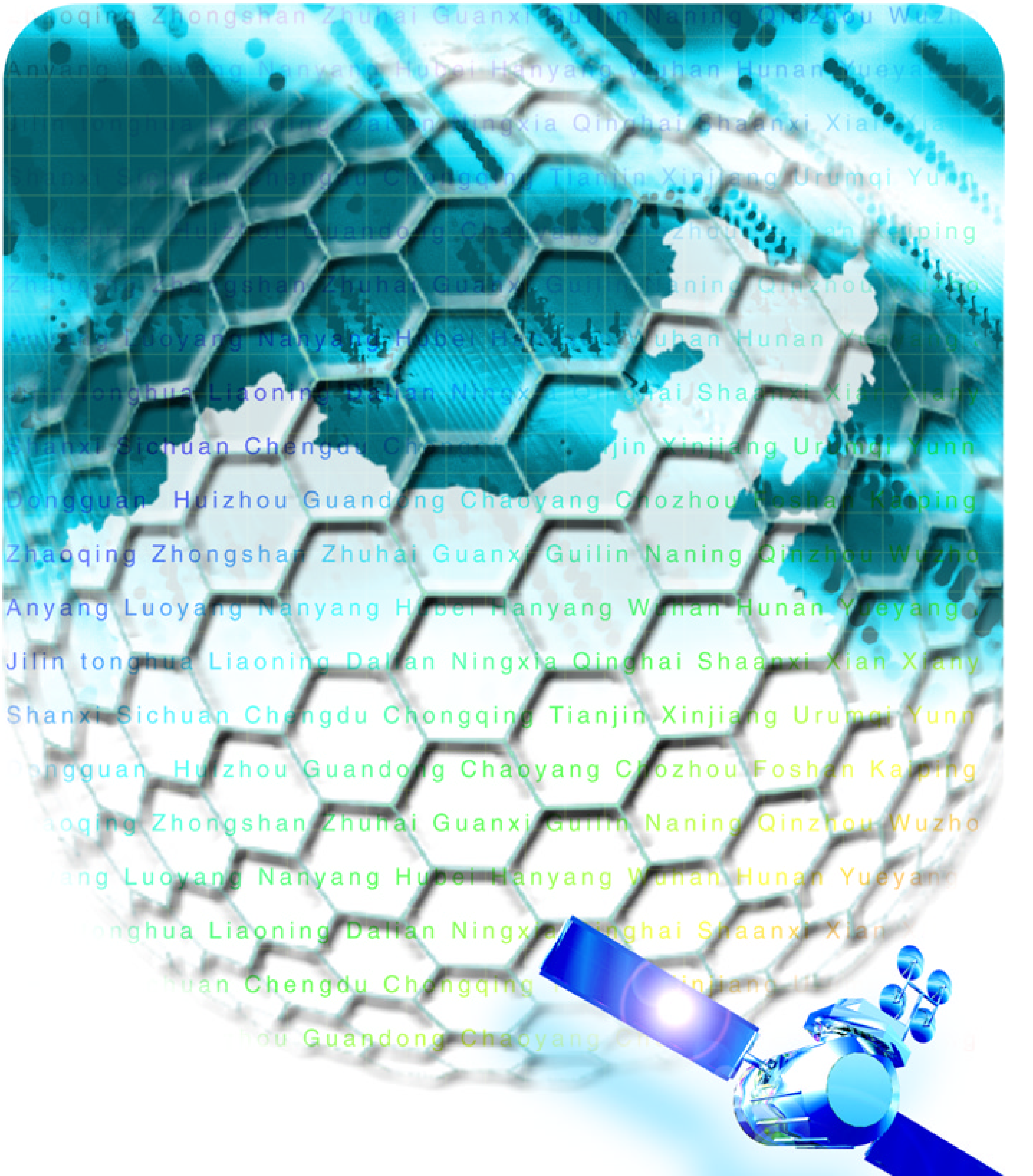
ANNUAL REPORT 2002

Computech



Computech Holdings Limited
駿科網絡訊息有限公司*

(Incorporated in the Cayman Islands with limited liability)

* for identification purpose only

Characteristics of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the internet website operated by the 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.

This report, for which the directors of Computech Holdings Limited collectively and individually accept full 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 Computech Holdings Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and brief: (1) the information contained in this 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Company Information

Legal name of the Company:
Computech Holdings Limited

Executive Directors:
Lee Man Lung, Vincent *(Chairman)*
Yip Tai Chee, Alick
Tang Chi Lap

Non-executive Directors:
Fung Pak Chuen, Alphonso
Lo, Richard
Hiroyuki Taniguchi
Toshio Sugii – alternate to Hiroyuki Taniguchi

Independent non-executive Directors:
Lee Sai Yeung
Tsang Link Carl, Brian

Company secretary:
Chow Chi Wah, Vincent

Compliance officer:
Lee Man Lung, Vincent

Qualified accountant:
Chow Chi Wah, Vincent ACCA, AHKSA

Authorised representatives:
Lee Man Lung, Vincent
Tang Chi Lap

Audit Committee:
Lee Sai Yeung *(Committee Chairman)*
Tsang Link Carl, Brian
Lee Man Lung, Vincent

Authorised persons to accept services of process and notices:
Lee Man Lung, Vincent
Tang Chi Lap

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:
6/F., G.D. Real Estate Tower,
143 Connaught Road Central,
Sheung Wan, Hong Kong.

Sponsors
DBS Asia Capital Limited

Auditors:
PKF

Principal share registrar and transfer office:
Bank of Butterfield
International (Cayman) Limited
Butterfield House, Fort Street
P.O.Box 705, George Town
Grand Cayman, Cayman Islands
British West Indies

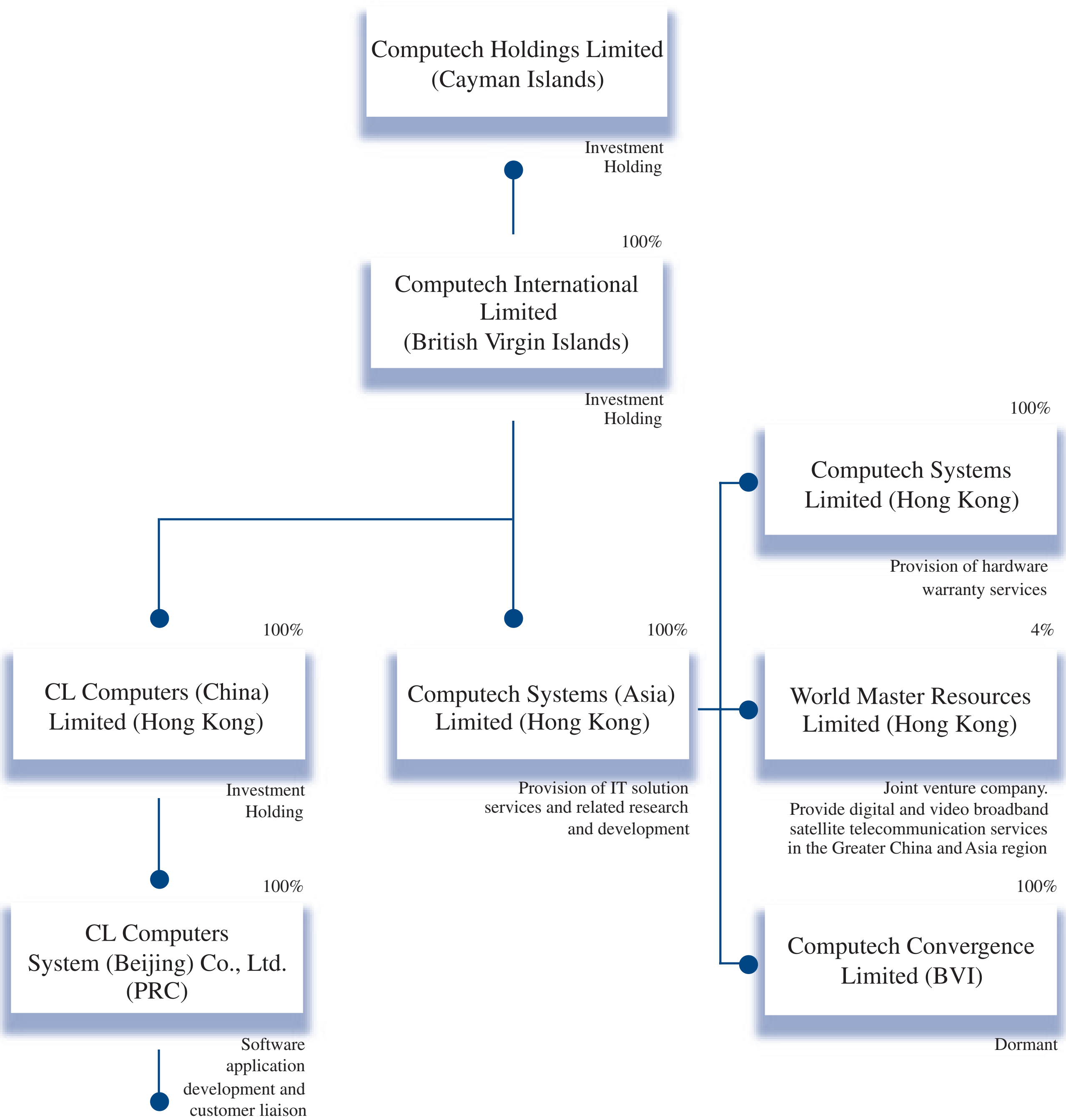
Hong Kong branch share registrar and transfer office:
Hong Kong Registrars Limited
Room 1901-1905,
19/F., Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers:
Shanghai Commercial Bank
Hang Seng Bank
UFJ Bank Limited
Bank of China

Website address:
www.computech.com.hk

Group Business Structure

At 31st December, 2002



I am pleased to present to the shareholders herewith the audited annual results of Computech Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2002 for their consideration.

Operating results

The Group's turnover for this financial year was approximately HK$68,635,000 (2001: HK$120,990,000), representing a 43% decrease from last year. The audited loss attributable to shareholders for the year ended 31st December, 2002 was approximately HK$20,852,000, representing approximately a 558% decrease as compared with 2001. The loss per share for the year ended 31st December, 2002 was HK8.78 cents. The gross profit margin for the year dropped from 23% to 20%.

Though usually the last quarter of the calendar year should be the most promising period for revenue and income source, the Group experienced an exceptional bad result in the last quarter of 2002. A lot of preparatory technical jobs, software customization, marketing and promotion activities which have been conducted in the year that originally planned for the projects predicted to be closed in the last quarter did not materialise. Though most of the projects are still being discussed with the customers, management took a conservative measure and decided to make full cost provision in the 2002 fiscal year. In view of the uncertain market situation, the Directors will continue to maintain the tight control to evaluate the marketing and technical pre-sales expenses in the future to reflect in the quarterly result.

Market overview

The global economy experienced decline for three consecutive years and the crisis in Persian Gulf increases the uncertainty of the economy. Competition becomes fierce and a lot of local and foreign competitors have started to enter into the China market.

Structural reform of the financial industry in the People's Republic of China ("PRC") contributes the major reason for the unsatisfactory result last year. One of the major customers for the Group, Credit Co-operatives is now being reformed and such re-organization hindered the progress of most of the IT construction projects. The establishment of Banking Commissioner is seriously considered by the central authority and it will result in the change of the role and function of the People's Bank of China. Top management of most of the national commercial banks will be changed which led to the delay of the purchasing decision on IT investment by PRC banks.

In view of the market uncertainty, the management has formulated several corrective measures. The management will exercise stringent cost control and aims to reduce the overall operating expense by 20% in the coming year by means of reduction of remuneration package of senior management, suspension of the less prioritized software development as well as reduction of headcount by staff re-engineering.

Operating overview

The Group will continue to focus on the software and provision of services business in IT industry in China. In addition to the in-house developed packaged software, the Group is now seeking for the partnership with the international software vendors to provide software solutions for the customers in the financial industry in the PRC. Such measure not only helps to shorten the development cycle, it can also facilitate our technical team to pick the latest technology within the shortest period.

In order to maintain our competitiveness, the Group will target to focus on the high value-added business areas. Business intelligence, management analysis and control, etc are the areas that the Group has and will invest to develop software solutions for our customers. VIP personal priority banking is being developed to cater for the banks' prestigious customers and the system is planned to launch into the market shortly. A business analytical platform is now under research and development and it will be used by the banks' top management to measure and evaluate the performance of the branches.

The Directors consider Hitachi, Limited ("Hitachi"), one of the Company's major shareholders, will contribute technology know-how to the Group's research and development. The Directors further expect that based on Hitachi's proven success in its IT products in the Japanese market, the Group can customize and localize Hitachi's software products and integrate into the Group's existing products.

Prospects and appreciation

The Group is cautiously optimistic about its future prospects. After the closing of the 16th People Congress in the PRC, most of the leaders and nation policies were finalized. Most of the uncertainties which affected the general market conditions in the year 2002 will be cleared gradually. We will carefully respond to new challenges of the PRC software market. Year 2003 will continue to be a very challenging year for the Group. The Group will continue to expand the business through penetration into other financial related sectors such as securities and insurance and collaboration with international software companies to customize their products and launch in the PRC market.

Finally, on behalf of the Board, I would like to take this opportunity to express sincere gratitude towards our shareholders, board members, business partners and employees who have rendered generous support and contribution to the Group and to those who have continuously supported us. With your continuous support, Computech will definitely grow steadily.

Lee Man Lung, Vincent
Chairman

Hong Kong, 20th March, 2003

Financial review

Results

The Group has experienced a decrease in the operational results of the financial year. For the year ended 31st December, 2002, the Group has accomplished a turnover of approximately HK$68,635,000 and a loss attributable to shareholders of approximately HK$20,852,000. This represented a decrease of approximately 558% in the net profit as compared with previous year. The substantial deterioration in the financial conditions of the Group was due to a combination of 16th People's Congress in the PRC and general adverse economic environment which delay the ordering process for bankers in China.

Cost of sales

In the fourth quarter of the year 2002, there is an additional cost of sales of approximately HK$5,342,000. The amount involved two portions. Approximately HK$2,973,000 represents the PRC technical staff salaries and expenses incurred in the first three quarters of the year. According to the revenue matching principle applied by the Group, these expenses were capitalised first and charged to the income statement upon recognition of after-sales services for package software products. This practice has been implemented consistently for years and part of these costs incurred during the year were charged to the income statement throughout the first three quarters of the year and the residual capitalised costs would have been expected to be charged to the income statement in the last quarter of the financial year as most of the Group's sales were historically recorded in the last quarter of the financial year. However, due to a combination of 16th People's Congress in the PRC and general adverse economic environment, the sales volume did not meet the management's expectation. As a result, the directors decided to adopt a prudent approach to write off the previously capitalised technical staff costs incurred during the year against the income statement in the reported financial year. Going forward, since the general operating environment remains unclear, the directors will continue to be prudent in capitalising future technical staff salaries and expenses.

The remaining balance of approximately HK$2,369,000 is the direct costs for technical staff salaries and expenses incurred in the last quarter of the year.

Selling and distribution expenses

The selling and distribution expenses for the last quarter increased by approximately HK$4,000,000 when compared with the first three quarters. Approximately HK$1,116,000 representing the salesman salaries and related commission expenses was incorrectly grouped under the administrative expenses in the first three quarters and is now reclassified as selling and distribution expenses. The remaining balance of approximately HK$2,884,000 were marketing promotion expenses incurred for potential projects and salesman commission for completed projects in the fourth quarter. Unfortunately, these projects did not realise and no contract was signed. Thus, these related marketing and promotional costs are written off as incurred.

Provision for long outstanding debts

Provision for long outstanding debts of approximately $3,704,000 was included in the administrative expenses. After a thorough review of the trade debtors, the directors decided to make a provision for doubtful debts on the trade debts aged over 12 months as at 31st December, 2002. The provision is 50% on the outstanding balance and amounting to approximately HK$3,704,000.

Although the directors are of the opinion that as the trade debts aged over 12 months are all due from large banking customers in China which have been major customers of the Group for many years and the directors are confident that these trade debts will finally be settled. However, due to the structural reform of the financial industry in the PRC as mentioned above and top management of these major customers had undergone changes, the debt payment process from these customers has been delayed. For prudence purpose, a 50% provision was made on the trade debts aged over one year.

Impairment loss of development costs

The development costs for the product, Corporate Banking System (CBS), had been capitalised and amortised according to the Group's accounting policy. However, since the product had been launched into the market for over 1 year with no success, the directors considered it prudent to fully provide for the remaining capitalised amount in the income statement.

Financial resources and liquidity

As at 31st December, 2002, the shareholders' funds of the Group amounted to approximately HK$27,511,000 (2001: HK$27,314,000). Current assets amounted to approximately HK$47,416,000 (2001: HK$59,131,000) of which approximately HK$8,200,000 (2001: HK$15,740,000) were cash and bank deposits and approximately HK$39,038,000 (2001: HK$43,264,000) were debtors, deposits and prepayments. The Group's only non-current liability being secured bank loan amounted to approximately HK$206,000 (2001: being obligations under finance lease of HK$16,000). Its current liabilities amounted to approximately HK$28,721,000 (2001: HK$46,495,000) mainly comprised of creditors, accruals and deposits and bills payable amounted to approximately HK$23,712,000 (2001: HK$40,056,000) and HK$466,000 (2001: HK$3,201,000) respectively. The net asset value per share was HK$0.115 (2001: HK$0.137). The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total assets. As at 31st December, 2002, the Group had a gearing ratio of 0.06 (2001: 0.05). The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 1.65 (2001: 1.27), reflecting the adequacy of financial resources.

Foreign exchange

The Group is exposed to foreign currency risk as most of its payable to hardware suppliers and accounts receivable from the PRC sales are denominated in Renminbi. Fluctuation of exchange rates of Renminbi against foreign currencies could affect the Group's results of operations.

Significant investments and acquisitions

During the two years ended 31st December, 2002, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

As at 31st December, 2002 and 31st December, 2001, the Group had no material investment other than the 4% shareholding in the joint venture of World Master Resources Limited.

Charges on the Group's assets

As at 31st December, 2002, the Group's time deposit of approximately HK$3,203,000 (2001: HK$3,171,000) has been pledged to a bank to secure general banking facilities granted to the Group.

Capital commitments

As at 31st December, 2002 and 31st December, 2001, the Group had no future plans for material investment.

Contingent liabilities

As at 31st December, 2002 and 31st December, 2001, the Group had no material contingent liabilities.

Employees and remuneration policies

As at 31st December, 2002, the Group had 98 employees (2001: 96). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include share option scheme as detailed in note 21(b) to the financial statements, contributions to statutory mandatory provident fund scheme and medical scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

Business Objectives and Actual Business Progress Comparison

In compliance with the GEM Listing Rules, the Company sets out below a summary of actual business progress as measured against the business objectives set out in the Prospectus for the six months ended 31st December, 2002 (the "Review Period").

Business objectives for the Review Period as set out in the Prospectus	Actual business progress in the Review Period
Sales	
Revenue is expected to grow by about 20-30% as compared to previous year as more income will be generated from new products	Revenue drops due to the reform of the financial institutions in China. Establishment of Banking Commissioner, positioning of credit co-operations and etc, prohibit the purchase of banking solutions.
A material portion of the revenue will be generated from Hong Kong (though PRC will still contribute the major portion and is expected to account for approximately about 70-75% of the Group's total revenue)	Distribution of anti-virus software in Hong Kong can not reach the original plan because of the economic recession. Most of the customers defer their buying processes. E-business environment is not so encouraging therefore affecting the sales of network safety software.
Research and development	
Invite both local and foreign bank representatives to participate in the Group's studies	Pending because of complication to define the ownership of the developed software products.
Commence the development of the next generation banking system based on the architecture developed by the Group. The system is expected to be able to support more features and functions, and to enlarge the database of nationwide scale	Done. Our latest version include many decision support functionalities, business intelligence and etc, in order to facilitate our banking customers to become more competitive after China's accession to the World Trade Organisation.

Business Objectives and Actual Business Progress Comparison

Business objectives for the Review Period as set out in the Prospectus	Actual business progress in the Review Period
Marketing	
Promote the Group's image by attending local and international IT conferences and exhibitions	Join computer exhibitions together with our partner Hitachi.
Liaise with the international suppliers to gather latest technology information	Constant negotiation to form partnership with international database suppliers for business intelligence and datawarehousing technology.
Liaise with the international suppliers to put the Group's software products on it's solution recommended list	Under processing.
Resources employment	
Increase research and development headcount by 10-15%	Done. Headcount on research and development increased by 10%.
Collaboration	
Continue to explore the opportunities of strategic partnership, joint-venture or acquisition in line with the Group's defined business objectives and strategies	Hitachi has become the Group's shareholder in January 2002. Also, the Group has entered into a strategic partnership with Brios, which is a business intelligence tool platform provider.

Directors

Executive Directors

LEE Man Lung, Vincent, aged 44, is the Chief Executive Officer of the Group. He is responsible for the corporate planning as well as the daily operation of the Group. He has been working in the IT industry for over 19 years. Mr. Lee started his career in NCR after graduation in 1983. He has been responsible for the sales and marketing of computer system to various industries including financial, manufacturing and retail. Prior to joining the Group, he has worked for another technology firm specialized in securities dealing system. He holds a bachelor degree in Business Administration from the Chinese University of Hong Kong.

YIP Tai Chee, Alick, aged 42, is the Director of Operation and Marketing. He is currently in charge of the marketing support division of the Group and the operation of the Chengdu and Guangzhou offices of the Group. Prior to joining the Group, he worked for the technical department respectively of Washington Trust Bank and Chase Manhattan Bank. He has over 17 years' experience in the IT industry. He holds a master degree in Business Administration from the Eastern Washington State University of United States.

TANG Chi Lap, aged 40, is the Director of Technical Services. He is responsible for software application development, research and development and technical support. He worked in various divisions involved in data communication, networking and system software design before the current assignment. He holds a degree in Computer Science with Electronic Engineering from University College, London.

Non-executive Directors

FUNG Pak Chuen, Alphonso, aged 52, is a non-executive Director. He is a co-founder and managing director of CL International Holding Limited ("CLIH") Group. Mr. Fung graduated from the University of London with a master degree in Computer Science. Prior to the establishment of the CLIH Group in 1979, he worked at IBM in Hong Kong and International Computer Limited in the United Kingdom.

LO, Richard, aged 51, is a non-executive Director. Mr. Lo is also a co-founder and managing director of CLIH Group. Before the establishment of the CLIH Group, Mr. Lo worked in marketing department of IBM in Hong Kong. Mr. Lo holds a bachelor degree in Mathematics from Syracuse University, New York and a master degree in Business Administration from the University of California at Los Angeles.

Hiroyuki TANIGUCHI, aged 46, is a non-executive Director. Mr. Taniguchi is currently a manager of the financial information system division of Hitachi, Limited. Mr. Taniguchi graduated from the University of Electro-Communications in Japan. He joined Hitachi, Limited in 1979.

Toshio SUGII, aged 54, is an alternate to Mr. Hiroyuki Taniguchi, a non-executive Director of the Company. Mr. Sugii has over 20 years' experience in computer business, is currently a senior Project Manager, Information and Telecommunication Systems of Hitachi, Limited.

Independent non-executive Directors

TSANG Link Carl, Brian, aged 39, is a practising solicitor in Hong Kong. He is a partner of Hong Kong law firm, Iu Lai & Li. He graduated from King's College, London with an LLB Degree in 1985. He is also admitted to practise law in England & Wales, Singapore, New South Wales, Queensland and the Australian Capital Territories. He is also a non-executive director of several other public companies listed on the Main Board and the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was appointed as an independent non-executive Director of the Company in June 2000.

LEE Sai Yeung, aged 51, was the executive director of several companies listed on the Stock Exchange from 1996 to 1998. Mr. Lee obtained his master degree in Business Administration and a bachelor degree in Business Administration (with honours) from the University of Texas at Austin. He has more than 16 years' experience in the securities business and extensive experience in corporate finance and investment banking. From 1981 to 1998, Mr. Lee had been registered as a dealing director, investment adviser and held position as senior executive in several major regional and European securities firms in Hong Kong. He was appointed as an independent non-executive Director of the Company in June 2000.

Senior management

CHEUNG Tung, aged 42, is responsible for sales activities of the Group. He has over 17 years' experience in sales and marketing of computer software and hardware products. He is now in charge of the sales team of about 12 members in different offices of the Group.

QI Wei, aged 40, is the technical manager of Beijing branch of the Group. He graduated from the University of Beijing. He has 16 years' experience in the IT industry and 9 years' experience in the banking industry. He is responsible for customers services and application development division of that Branch.

ZHANG Bing Bing, aged 36, is the technical manager of the Chengdu branch of the Group. He graduated from Beijing University of Astronautics and Aeronautics with Diploma in Computer Science. He has 10 years' experience in the banking industry and is responsible for the networking division and the training division of the Group.

MA Siu Ming, Jackson, aged 34, is the technical manager of Computech Systems (Asia) Limited. He graduated from the University of East Asia, Macau and is now responsible for R&D division of the Group. He has 11 years' experience in the banking industry.

CHOW Chi Wah, Vincent, aged 34, is the financial controller, company secretary and qualified accountant of the Group. He graduated from Lingnan College. He is responsible for the supervision of the Group's accounting and financial reporting procedures and regulatory compliance of the Group. He has about 10 years' experience in the audit and accounting field. He is an associate member of each of The Chartered Association of Certified Accountants and the Hong Kong Society of Accountants. He joined the Group in 2000.

The directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 31st December, 2002.

Principal activities

The Company is an investment holding company and the principal activities of its subsidiaries are set out in note 10 to the financial statements.

Results and dividend

The results of the Group for the year ended 31st December, 2002 are set out in the consolidated income statement on page 20.

The directors do not recommend the payment of a dividend in respect of the year.

Financial summary

The summary of the pro forma combined results of the Group for each of the three years ended 31st December, 2000 and the consolidated results of the Group for each of the two years ended 31st December, 2002 and the assets and liabilities of the Group as at 31st December, 1999, 2000, 2001 and 2002 are set out on page 48.

Fixed assets

The Group purchased and disposed of fixed assets amounted to approximately HK$864,000 and HK$390,000 respectively during the year. Detailed movements in fixed assets are set out in note 9 to the financial statements.

Share options

Details of the Company's share option scheme are set out in note 21(b) to the financial statements.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 26 and note 22 to the financial statements respectively.

Directors and directors' service contracts

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

Executive directors:
Lee Man Lung, Vincent
Yip Tai Chee, Alick
Tang Chi Lap

Directors and directors' service contracts (Continued)

Non-executive directors:

Fung Pak Chuen, Alphonso
Lo, Richard
Hiroyuki Taniguchi *(appointed on 19th February, 2002)*
Toshio Sugii – alternate to Hiroyuki Taniguchi *(appointed on 14th May, 2002)*

Independent non-executive directors:

Tsang Link Carl, Brian
Lee Sai Yeung

In accordance with Article 14 (4) of the Company's Articles of Association, Mr. Lee Man Lung, Vincent, Mr. Lo, Richard and Mr. Hiroyuki Taniguchi, shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

Each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing from 1st June, 2000 and will continue thereafter on an annual basis until terminated by not less than three months' notice in writing served by either party.

Apart from the foregoing, 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

Apart from the transactions as disclosed in note 25 to the financial statements, no other 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 subsisted at the end of the year or at any time during the year.

Connected transactions

The details of connected transactions during the year under the GEM Listing Rules are set out in note 25 to the financial statements.

Directors' interests in securities

As at 31st December, 2002, the directors and their associates had the following interests in shares of the Company as recorded in the Register of Directors' Interests kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI" Ordinance):

Director	Type of interest	Number of shares
Mr. Lee Man Lung, Vincent *(Note 1)*	Corporate	55,860,000
Mr. Fung Pak Chuen, Alphonso *(Note 2)*	Family	55,860,000
Mr. Lo, Richard *(Note 3)*	Family	55,860,000
Mr. Yip Tai Chee, Alick	Personal	1,000,000
Mr. Tang Chi Lap	Personal	280,000

Notes:

1. As Mr. Lee Man Lung, Vincent is interested in 100% of the issued share capital of Brilliant Time Limited, Mr. Lee Man Lung, Vincent is taken to have an interest in the 55,860,000 shares held by Brilliant Time Limited.

2. Gumpton Investments Limited, which holds 75% of the issued share capital of CL Investments Limited ("CL Investments"), is taken to have an interest in the 55,860,000 shares in which CL Investments is interested under the SDI Ordinance. As 50% of the issued share capital of Gumpton Investments Limited is held by AFS Holdings Limited, AFS Holdings Limited is taken to have an interest in the 55,860,000 shares under the SDI Ordinance.

   AFS Holdings Limited is wholly-owned by The General Trust Co. Ltd. The General Trust Co. Ltd. is the trustee of AFS Trust, one of the beneficiaries of which is the wife of Mr. Fung Pak Chuen, Alphonso. Mr. Fung Pak Chuen, Alphonso is taken to have an interest in the 55,860,000 shares by virtue of his spouse's interest under the SDI Ordinance.

3. Gumpton Investments Limited, which holds 75% of the issued share capital of CL Investments, is taken to have an interest in the 55,860,000 shares in which CL Investments is interested under the SDI Ordinance. As 50% of the issued capital of Gumpton Investments Limited is held by Ardian Holdings Limited, Ardian Holdings Limited is taken to have an interest in the 55,860,000 shares under the SDI Ordinance.

   Ardian Holdings Limited is wholly-owned by The General Trust Co. Ltd. The General Trust Co. Ltd. is the trustee of Ardian Trust, the beneficiaries of which include the wife and a child (who is under 18 years of age) of Mr. Lo, Richard. Mr. Lo, Richard is taken to have an interest in the 55,860,000 shares by virtue of his spouse's and his child's (who is under 18 years of age) interests under the SDI Ordinance.

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

Directors' rights to acquire shares or debentures

Under the terms of a share option scheme (the "Scheme") adopted by the Company on 2nd June, 2000, the board of directors is authorised, at its absolute discretion, to grant options to executive directors and full time employees of the Company or its subsidiaries, to subscribe for shares in the Company. Further details of the Scheme are set out in note 21(b) to the financial statements. No options had been granted to any directors under the Scheme up to the balance sheet date.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial shareholders

At 31st December, 2002, according to the register required to be kept under Section 16(1) of the SDI Ordinance, the following persons were interested in 10% or more of the issued share capital of the Company:

Name	Number of shares	Percentage of issued share capital
Hitachi, Ltd.	60,000,000	25.00%
Anstalt Pacific Techvest Inc. *(Note 1)*	55,860,000	23.28%
CL Investments *(Note 2)*	55,860,000	23.28%
CL Strategic Holdings Limited *(Note 3)*	55,860,000	23.28%
Brilliant Time Limited *(Note 4)*	55,860,000	23.28%

Notes:

1. Anstalt Pacific Techvest Inc. ("Anstalt Pacific") is beneficially and wholly-owned by Lam Soon (Hong Kong) Limited, the shares of which are listed on the Stock Exchange of Hong Kong Limited. Anstalt Pacific has a 50% interest in the issued share capital of CL Strategic Holdings Limited ("CLSH") and is accordingly taken to have an interest in the shares in which CLSH is interested in.

2. CL Investments is deemed to be owned as to 37.5% by Mr. Fung Pak Chuen, Alphonso and as to 37.5% by Mr. Lo, Richard, and is beneficially owned as to 20% by Mr. Chan Kin Wah, Charles and as to 5% by Mr. Wong Siu Sik, Alex. Both Mr. Chan Kin Wah, Charles and Mr. Wong Siu Sik, Alex are independent third parties not connected with the Company, any of its subsidiaries, the directors, chief executives, substantial shareholders and management shareholders of the Company or any of their respective associates.

   CL Investments has a 50% interest in the issued share capital of CLSH and is accordingly taken to have an interest in the shares in which CLSH is interested in.

3. CLSH is owned as to 50% by Anstalt Pacific and 50% by CL Investments.

4. Brilliant Time Limited is beneficially and wholly-owned by Mr. Lee Man Lung, Vincent.

Save as disclosed above, the Company has not been notified of any other interests as at 31st December, 2002 representing 10% or more of the issued share capital of the Company.

Major customers and suppliers

Sales to the Group's five largest customers accounted for 93% of the total sales for the year and sales to the largest customer included therein amounted to 34%. Purchases from the Group's five largest suppliers accounted for 44% of the total purchases for the year and purchases from the largest supplier included therein amounted to 13%.

To the best knowledge of the directors, neither the directors, their associates, nor any shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

Purchase, sale or redemption of the Company's listed securities

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

Pre-emptive rights

There are no provisions for the 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.

Sponsors' interests

As at 31st December, 2002, neither the Company's sponsor, DBS Asia Capital Limited ("DBS Asia"), nor its directors or employees, had any interest in the share capital of the Company.

Pursuant to the agreement dated 10th April, 2000 entered with the Company, DBS Asia received and will receive, fees for acting as the Company's continuing sponsor for the period from 19th June, 2000 to 31st December, 2002.

Audit Committee

The Company has established an Audit Committee with written terms of reference for the purpose of reviewing and providing supervision over the financial reporting process and internal control procedures of the Group. The Audit Committee has three members comprising Mr. Lee Sai Yeung, Mr. Tsang Link Carl, Brian and Mr. Lee Man Lung, Vincent.

Up to the date of approval of these financial statements, the Audit Committee has held four meetings and has reviewed the Company's draft annual, interim and quarterly financial reports.

Compliance

In the opinion of the directors, the Company has complied with Rules 5.28 to 5.39 of the Rules governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited concerning board practices and procedures throughout the financial year ended 31st December, 2002.

Auditors

A resolution to re-appoint the retiring auditors, Messrs. PKF, is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lee Man Lung, Vincent
Chairman

Hong Kong, 20th March, 2003

梁學濂會計師事務所

PKF

26th Floor, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

To the members of
Computech Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 20 to 47 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible 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 the affairs of the Company and the Group as at 31st December, 2002 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PKF
Certified Public Accountants

Hong Kong, 20th March, 2003

Consolidated Income Statement For the year ended 31st December, 2002

	Notes	2002 HK$'000	2001 HK$'000
Turnover	2	**68,635**	120,990
Cost of sales		**(55,012)**	(92,923)
Gross profit		**13,623**	28,067
Other income		**143**	452
Provision for diminution in value of investment securities		**(2,342)**	–
Impairment loss of development costs		**(2,532)**	–
Selling and distribution expenses		**(4,866)**	(2,172)
Administrative expenses		**(22,956)**	(19,736)
Operating (loss)/profit		**(18,930)**	6,611
Finance costs		**(335)**	(472)
Amortisation of goodwill on consolidation		**(1,587)**	(1,587)
(Loss)/profit for the year	5	**(20,852)**	4,552
(Loss)/earnings per share – Basic (HK cents)	6	**(8.78)**	2.28

Consolidated Balance Sheet

At 31st December, 2002

	Notes	2002 HK$'000	2001 HK$'000
NON-CURRENT ASSETS			
Fixed assets	9	**2,165**	2,218
Investment securities	11	**–**	2,342
Development costs	12	**6,196**	7,886
Goodwill on consolidation	13	**661**	2,248
		9,022	14,694
CURRENT ASSETS			
Inventories – spare parts		**178**	127
Debtors, deposits and prepayments	14	**39,038**	43,264
Pledged time deposit	15	**3,203**	3,171
Cash and bank balances	16	**4,997**	12,569
		47,416	59,131
DEDUCT:			
CURRENT LIABILITIES			
Bank overdraft – secured	15	**2,746**	638
– unsecured		**43**	–
Secured bank loan	15 & 17	**107**	–
Bills payable	15	**466**	3,201
Creditors, accruals and deposits	18	**23,712**	40,056
Value-added tax payable		**1,200**	1,356
Obligations under finance lease	19	**16**	13
Amounts due to related companies	20	**431**	431
Amount due to a director		**–**	800
		28,721	46,495
NET CURRENT ASSETS		**18,695**	12,636
NET ASSETS		**27,717**	27,330

Consolidated Balance Sheet

At 31st December, 2002

	Notes	2002 HK$'000	2001 HK$'000
REPRESENTING:			
SHARE CAPITAL	21	**24,000**	20,000
RESERVES		**3,511**	7,314
SHAREHOLDERS' FUNDS		**27,511**	27,314
NON-CURRENT LIABILITY			
Secured bank loan	17	**206**	–
Obligations under finance lease	19	**–**	16
		27,717	27,330

Approved and authorised for issue by the Board of Directors on 20th March, 2003

Lee Man Lung, Vincent
Director

Tang Chi Lap
Director

Balance Sheet
At 31st December, 2002

	Notes	2002 HK$'000	2001 HK$'000
NON-CURRENT ASSET			
Interests in subsidiaries	10	**39,315**	19,425
CURRENT ASSETS			
Deposits and prepayments		**219**	268
Cash at bank		**8**	4
		227	272
DEDUCT:			
CURRENT LIABILITY			
Accruals		**445**	510
NET CURRENT LIABILITIES		**(218)**	(238)
NET ASSETS		**39,097**	19,187
REPRESENTING:			
SHARE CAPITAL	21	**24,000**	20,000
RESERVES	22	**15,097**	(813)
SHAREHOLDERS' FUNDS		**39,097**	19,187

Approved and authorised for issue by the Board of Directors on 20th March, 2003

Lee Man Lung, Vincent
Director

Tang Chi Lap
Director

Consolidated Cash Flow Statement

For the year ended 31st December, 2002

	2002 HK$'000	2001 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit for the year	**(20,852)**	4,552
Adjustments for:		
Interest income	**(73)**	(183)
Interest expenses	**175**	200
Provision for diminution in value of investment securities	**2,342**	–
Impairment loss of development costs	**2,532**	–
Loss on disposal of fixed assets	**–**	3
Amortisation of goodwill on consolidation	**1,587**	1,587
Depreciation and amortisation	**3,608**	1,446
Operating (loss)/profit before working capital changes	**(10,681)**	7,605
Increase in inventories	**(51)**	–
Decrease/(increase) in debtors, deposits and prepayments	**4,226**	(31,214)
Increase in pledged time deposit	**(32)**	(86)
(Decrease)/increase in creditors, accruals and deposits	**(16,344)**	33,509
(Decrease)/increase in value-added tax payable	**(156)**	548
Decrease in amounts due to related companies	**–**	(1,037)
Effect on foreign exchange rate changes	**–**	75
Cash (used in)/generated from operations	**(23,038)**	9,400
Interest income	**73**	183
Interest expenses	**(175)**	(200)
Hong Kong profits tax refunded	**–**	23
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	**(23,140)**	9,406

Consolidated Cash Flow Statement

For the year ended 31st December, 2002

	2002 HK$'000	2001 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment to acquire fixed assets	(864)	(627)
Sales proceeds of fixed assets	–	3
Increase in development costs	(3,533)	(4,611)
NET CASH USED IN INVESTING ACTIVITIES	(4,397)	(5,235)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in bank loan	313	–
(Decrease)/increase in bills payable	(2,735)	662
(Decrease)/increase in amount due to a director	(800)	800
Issue of shares for cash	22,000	–
Share issuing expenses	(951)	–
Principal repayment of obligations under finance lease	(13)	(14)
NET CASH FROM FINANCING ACTIVITIES	17,814	1,448
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(9,723)	5,619
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	11,931	6,312
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	2,208	11,931
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	4,997	12,569
Bank overdrafts	(2,789)	(638)
	2,208	11,931

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2002

	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Retained profits/ (accumulated loss) HK$'000	Total HK$'000
At 1.1.2001	20,000	1,981	(14)	681	22,648
Exchange difference arising from translation of financial statements of a subsidiary established in the People's Republic of China ("PRC")	–	–	114	–	114
Profit for the year	–	–	–	4,552	4,552
At 31.12.2001	20,000	1,981	100	5,233	27,314
Issue of ordinary shares	4,000	–	–	–	4,000
Premium on issue of ordinary shares	–	18,000	–	–	18,000
Share issuing expenses	–	(951)	–	–	(951)
Loss for the year	–	–	–	(20,852)	(20,852)
At 31.12.2002	**24,000**	**19,030**	**100**	**(15,619)**	**27,511**

1. Principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Group reorganisation

The Company was incorporated in the Cayman Islands on 29th March, 2000 as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the public listing of its shares in June 2000, the Company became the holding company of the companies now comprising the Group on 3rd June, 2000. The shares of the Company were listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19th June, 2000.

(b) Basis of preparation

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants ("HKSA") and are prepared under the historical cost convention.

In the current year, the Group adopted the following SSAPs issued by the HKSA which are effective for the current year's financial statements:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

The main revision to SSAP 1 is to change the requirement from presenting a statement of recognised gains and losses to presenting a statement of changes in equity.

The main revision to SSAP 15 is to require the provision of information about the historical changes in cash and cash equivalents of an enterprise by means of a cash flow statement which classifies cash flows during the year into operating, investing and financing activities whereas the old SSAP specifies two additional standard headings: "Return on investments and servicing of finance" and "Taxation".

The effect of adopting SSAP 11 (revised) is set out in note 1(o) below.

The new SSAP 34 requires an enterprise to recognise the service provided by an employee in exchange for employee benefits to be paid in the future as a liability, and when the enterprise consumes the economic benefit arising from service provided by an employee in exchange for employee benefits as expenses. The adoption of the SSAP has not had any significant impact on these financial statements.

1. Principal accounting policies (Continued)

(c) Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intra-group transactions and balances have been eliminated on consolidation.

(d) Goodwill on consolidation

Goodwill on consolidation represents the excess of the purchase consideration over the attributable share of the fair value of separable net assets of subsidiaries at the date of acquisition and is amortised on a straight line basis over three years from the date of acquisition of subsidiaries.

(e) Fixed assets and depreciation

Fixed assets are stated at cost less aggregate depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss on disposal of the fixed assets representing the difference between the net sales proceeds and the carrying amount of the relevant asset, is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are discounted to their present values.

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives as set out below on a straight line basis:

Computer equipment	–	3 years
Furniture and fixtures	–	4 years
Motor vehicles	–	3 years
Leasehold improvements	–	shorter of 5 years and lease term

Assets held under finance leases are depreciated over their expected useful lives on the same basis as own assets or where shorter, the terms of the relevant leases.

1. Principal accounting policies (Continued)

(f) Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised at their fair value at the date of acquisition or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as obligations under finance leases. Finance charges, which represent the difference between the total leasing commitments and the recorded value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

(g) Subsidiaries

A subsidiary is an enterprise over which the Company has control either directly or indirectly. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any identified impairment loss. Income from subsidiaries is recognised in the Company's financial statements on the basis of dividends declared by the subsidiaries.

(h) Investment securities

Investment securities are stated at cost less any provision for diminution in value.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities should be reduced to its fair value. The amount of the reduction is recognised as an expense in the income statement.

(i) Development costs

Development costs are capitalised only when it is expected that the product under development will generate probable future economic benefits and will be produced or used internally, its technical feasibility has been demonstrated and the expenditure is separately identifiable and has been measured reliably. Development costs are amortised on a straight line basis over three years commencing when the relevant product is available for sale or use. Development costs which do not meet these criteria are expensed when incurred.

1. Principal accounting policies (Continued)

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(k) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(l) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(m) Revenue recognition

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

Income from rendering of computer related services is recognised at the time when the services are provided.

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

(n) Employee benefits

Employee benefits are all forms of consideration given by an enterprise in exchange for service rendered by employees.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Scheme Ordinance and the PRC central pension scheme, are recognised as an expense in the income statement as incurred.

When the Company grants employees options to acquire its shares, the option exercise price will be determined by the directors at the date of grant and no employee benefit cost or obligation is recognised at that time. When the options are exercised, the equity is increased by the amount of proceeds received.

1. Principal accounting policies (Continued)

(n) Employee benefits (Continued)

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(o) Foreign currency translation

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the market exchange rates ruling at the balance sheet date. Differences on foreign currency translation are dealt with in the income statement.

In prior years, the financial statements of the Company's PRC subsidiary which are denominated in Renminbi are translated into Hong Kong dollars at the market exchange rates ruling at the balance sheet date. Exchange differences arising on such translation are dealt with in the exchange reserve.

With effect from 1st January, 2002, with the introduction of SSAP 11 (revised), the consolidated financial statements are prepared by using the net investment method such that the balance sheet of the Company's PRC subsidiary is translated into Hong Kong dollars at the market exchange rate ruling at the balance sheet date while the income statement is translated at the average exchange rate for the year. Any exchange differences arising on such translation are dealt with in the exchange reserve.

There is no material impact to the financial results and the financial position of the Group by the adoption of the revised SSAP.

(p) Related parties

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.

(q) Deferred taxation

Deferred taxation is calculated under the liability method in respect of the taxation effect arising from all timing differences which are expected with reasonable probability to crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

(r) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2. Turnover and revenue

Turnover represents the invoiced value of packaged software products sold and computer related services rendered, net of discounts, value-added tax and business tax. An analysis of the Group's turnover and other revenue is as follows:

	2002 HK$'000	2001 HK$'000
Sales of packaged software products and related services	**13,015**	54,805
System integration	**54,287**	65,331
Others	**1,333**	854
Turnover	**68,635**	120,990
Interest income	**73**	183
Total revenue	**68,708**	121,173

3. (Loss)/profit for the year

	2002 HK$'000	2001 HK$'000
(Loss)/profit for the year is arrived at after charging/(crediting):		
Depreciation		
– own assets	**903**	680
– asset held under finance lease	**14**	14
	917	694
Less: Amounts capitalised as development costs	**45**	121
	872	573
Amortisation of development costs	**2,736**	873
Bad debts written off	**241**	714
Provision for bad debts	**3,704**	–
Minimum lease payments paid under operating leases	**2,442**	2,410
Auditors' remuneration	**300**	330
Loss on disposal of fixed assets	**–**	3
Directors' remuneration – *Note 8(a)*	**2,260**	2,419
Less: Amounts capitalised as development costs	**636**	724
	1,624	1,695
Other staff salaries and benefits	**9,760**	8,920
Less: Amounts capitalised as development costs	**1,910**	1,699
	7,850	7,221
Retirement scheme contributions	**160**	272
Less: Amounts capitalised as development costs	**16**	121
	144	151
Bank overdraft and bills interest	**164**	197
Interest on bank loan wholly repayable within five years	**6**	–
Finance lease interest	**5**	3
Exchange gain	**(64)**	(2)

4. Taxation

(a) (i) No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for the year.

(ii) The Company's PRC subsidiary is under the Income Tax Law of the PRC for Foreign Investment Enterprises and other relevant regulations, entitled to an income tax holiday for two years from the first profit making year of 1996 and a 50% reduction in income tax for the following six years. No provision for PRC income tax has been made in accordance with the relevant legislation.

(b) The components of unprovided deferred tax asset/(liability) are as follows:

	2002	2001
	HK$'000	HK$'000
Accelerated depreciation allowances	**–**	(29)
Unutilised tax losses	**3,590**	2,521
Net deferred tax asset	**3,590**	2,492

Net deferred tax asset has not been recognised owing to uncertainty regarding the Group's future operating results.

5. (Loss)/profit for the year

(Loss)/profit for the year includes a loss of HK$1,139,000 (2001: HK$2,256,000) which has been dealt with in the financial statements of the Company.

6. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share for the year is based on the following data:

	2002	2001
	HK$'000	HK$'000
(Loss)/earnings		
(Loss)/profit for the year used in the calculation of basic (loss)/earnings per share	**(20,852)**	4,552
Shares		
Weighted average number of shares in issue for the purpose of calculation of basic (loss)/earnings per share	**237,589,041**	200,000,000

No diluted (loss)/earnings per share are shown because the potential ordinary shares issuable under the Company's share option scheme have no dilutive effect.

7. Retirement benefit costs

The Hong Kong operating subsidiaries of the Group had participated in the Mandatory Provident Fund Scheme ("MPF Scheme"). The assets of the MPF Scheme are held separately in an independently managed and administered fund. Contributions to the MPF Scheme are made by both the employer and employees at 5% on the employees' salaries.

The Company's subsidiary in PRC has participated in a central pension scheme, contributions are made by the subsidiary to the scheme based on 19% to 24% of the applicable payroll costs. The Group has no obligation other than above-mentioned contributions.

8. Directors' emoluments and employees' emoluments

(a) Directors' emoluments

	2002	2001
	HK$'000	HK$'000
Fees		
– Executive directors	**15**	15
– Non-executive directors	**10**	10
– Independent non-executive directors	**240**	240
Other emoluments of executive directors		
– Salaries and allowances	**1,900**	2,059
– Retirement scheme contributions	**95**	95
	2,260	2,419

Three executive directors received individual emoluments of approximately HK$846,000, HK$558,000 and HK$606,000 respectively for the year ended 31st December, 2002 (2001: HK$913,000, HK$654,000 and HK$602,000).

During the year, no other emoluments were paid by the Group to the non-executive directors.

The number of directors whose remuneration fell within the following band were:

	2002	2001
	HK$'000	HK$'000
Emoluments		
Nil to HK$1,000,000	**9**	7

No directors waived any emoluments during the year.

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

8. Directors' emoluments and employees' emoluments (Continued)

(b) Five highest paid individuals

Among the five highest paid individuals in the Group, three are directors of the Company and the details of their remuneration have already been disclosed above.

The emoluments and designated band of the remaining two highest paid, non-director individuals during the year are as follows:

	2002	2001
	HK\$'000	HK\$'000
Salaries and allowances	**1,320**	1,401
Retirement scheme contributions	**55**	55
	1,375	1,456

The remuneration of the non-director, highest paid employees during the year fell within the band of nil to HK\$1,000,000.

9. Fixed assets

	Computer equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:					
At 1.1.2002	2,600	88	432	1,514	4,634
Additions	392	8	396	68	864
Disposals	(390)	–	–	–	(390)
At 31.12.2002	**2,602**	**96**	**828**	**1,582**	**5,108**
Aggregate depreciation:					
At 1.1.2002	1,889	41	144	342	2,416
Charge for the year	311	22	188	396	917
Written back on disposals	(390)	–	–	–	(390)
At 31.12.2002	**1,810**	**63**	**332**	**738**	**2,943**
Net book value:					
At 31.12.2002	**792**	**33**	**496**	**844**	**2,165**
At 31.12.2001	711	47	288	1,172	2,218

At 31st December, 2002, the net book value of computer equipment held under finance lease amounted to approximately HK\$14,000 (2001: HK\$28,000).

10. Interests in subsidiaries

	2002 **HK$'000**	2001 HK$'000
Unlisted shares, at cost	**100**	100
Amounts due from subsidiaries – *Note 10(b)*	**39,215**	19,325
	39,315	19,425

(a) The details of the subsidiaries are as follows:

Name	Place of incorporation/ establishment	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group Directly	Indirectly	Principal activities
Computech International Limited	The British Virgin Islands	1,000 shares of US$1 each	100%	–	Investment holding
CL Computers (China) Limited	Hong Kong	10 ordinary shares of HK$1 each 400,002 non-voting deferred shares of HK$1 each*	–	100%	Investment holding
CL Computers System (Beijing) Co., Ltd.	PRC	US$500,000	–	100%	Software application development and customer liaison
Computech Systems (Asia) Limited	Hong Kong	10 ordinary shares of HK$1 each 12,690,000 non-voting deferred shares of HK$1 each*	–	100%	Provision of IT solution services and related research and development
Computech Systems Limited	Hong Kong	100,000 shares of HK$1 each	–	100%	Provision of hardware warranty services

10. Interests in subsidiaries (Continued)

Name	Place of incorporation/ establishment	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group Directly	Indirectly	Principal activities
Computech Convergence Limited	The British Virgin Islands	10 shares of US$1 each	–	100%	Dormant

* The non-voting deferred shares, which are not held by the Group, practically carry no rights to dividend or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution in winding up.

(b) The amounts are interest-free, unsecured and have no fixed repayment term.

11. Investment securities

	2002 HK$'000	2001 HK$'000
Unlisted equity securities, at cost	**2,342**	2,342
Less: Provision for diminution in value	**2,342**	–
	–	2,342

The above represented the Group's share of contributions to a company, of which the Group has an approximately 4% equity interest therein, for the provision of digital/video broadband satellite telecommunication services in the Greater China and Asia region.

12. Development costs

	HK$'000
Cost:	
At 1.1.2002	8,759
Additions	3,578
At 31.12.2002	**12,337**
Aggregate amortisation:	
At 1.1.2002	873
Charge for the year	2,736
At 31.12.2002	**3,609**
Impairment loss:	
Charge for the year and at 31.12.2002	**2,532**
Net book value:	
At 31.12.2002	**6,196**
At 31.12.2001	7,886

13. Goodwill on consolidation

	2002 **HK$'000**	2001 HK$'000
Goodwill arising from acquisition of subsidiaries	**4,761**	4,761
Less: Aggregate amortisation	**4,100**	2,513
Unamortised goodwill at 31st December	**661**	2,248

14. Debtors, deposits and prepayments

	2002 HK$'000	2001 HK$'000
Debtors, deposits and prepayments comprise:		
Trade debtors	**35,899**	39,752
Less: Provision for bad debts	**3,704**	–
	32,195	39,752
Other debtors, deposits and prepayments	**6,843**	3,512
	39,038	43,264

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associate with trade debtors, credit evaluations of customers are performed periodically. The following is an aging analysis of trade debtors.

	2002 HK$'000	2001 HK$'000
0 – 3 months	**22,263**	30,793
4 – 6 months	**2,276**	3,424
7 – 12 months	**3,951**	4,998
Over 12 months	**7,409**	537
	35,899	39,752

15. Banking facilities

As at 31st December, 2002, the Group's available banking facilities to the extent of HK$16,339,000 (2001: HK$4,500,000) are secured by the followings:

(a) Time deposit of approximately HK$3,203,000 (2001: HK$3,171,000);

(b) A motor vehicle with net book value of approximately HK$352,000 (2001: Nil); and

(c) A corporate guarantee of HK$30,000,000 (2001: Nil) given by the Company.

16. Cash and bank balances

At 31st December, 2002, the cash and bank balances of the Group denominated in Renminbi amounted to approximately HK$4,931,000 (2001: HK$11,947,000). Renminbi is not freely convertible into foreign currencies. Subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business.

17. Secured bank loan

	2002	2001
	HK$'000	HK$'000
Principal outstanding	**313**	–
Less: Amount repayable within one year (shown under current liabilities)	**107**	–
Amount repayable after one year but within five years (shown under non-current liabilities)	**206**	–

18. Creditors, accruals and deposits

	2002	2001
	HK$'000	HK$'000
Creditors, accruals and deposits comprise:		
Trade creditors	**19,108**	24,484
Other creditors, accruals and deposits	**4,604**	15,572
	23,712	40,056

The following is an aging analysis of trade creditors:

	2002	2001
	HK$'000	HK$'000
0 – 6 months	**15,822**	21,594
7 – 12 months	**1,642**	2,890
Over 12 months	**1,644**	–
	19,108	24,484

19. Obligations under finance lease

	Minimum lease payments		Present value of minimum lease payments	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance lease:				
Within one year	**18**	18	**16**	13
After one year but within two years	**–**	18	**–**	16
	18	36	**16**	29
Less: Future finance charges	**2**	7	**–**	–
Present value of lease obligations	**16**	29	**16**	29
Less: Amounts due for settlement within twelve months (shown under current liabilities)			**16**	13
Amounts due for settlement after twelve months (shown under non-current liabilities)			**–**	16

The term of the lease is three years and the lease is on a fixed repayment basis.

20. Amounts due to related companies

The amounts due to the related companies, arose from transactions as disclosed in note 25 to the financial statements, are interest-free, unsecured and repayable on demand.

21. Share capital

	Group and Company	
	Number of shares	**HK$'000**
Authorised:		
At 1st January, 2002 and 31st December, 2002	**1,000,000,000**	**100,000**
Issued and fully paid:		
At 1st January, 2002	200,000,000	20,000
Issue of ordinary shares – *Note 21(a)*	40,000,000	4,000
At 31st December, 2002	**240,000,000**	**24,000**

(a) On 21st December, 2001, the Company and Hitachi, Limited ("Hitachi") entered into a subscription agreement ("Subscription Agreement") whereby Hitachi shall subscribe 40,000,000 new shares of the Company at a price of HK$0.55 per share.

On the same date, Mr. Yip Tai Chee, Alick and Mr. Tang Chi Lap, who are the directors of the Company also entered into a sale and purchase agreement ("Sale and Purchase Agreement") with Hitachi whereby the vendors agreed to sell to Hitachi an aggregate of 20,000,000 Company's shares at a price of HK$0.55 per share.

On 23rd January, 2002, the Subscription Agreement and the Sale and Purchase Agreement were completed and Hitachi holds 25% of the Company's issued capital as enlarged by the subscription.

Further details of the above are set out in the circular dated 31st December, 2001.

(b) Under the terms of a share option scheme (the "Scheme") adopted by the Company on 2nd June, 2000, the board of directors is authorised, at its absolute discretion, to grant options to executive directors and full time employees of the Company or its subsidiaries, to subscribe for shares in the Company.

The purpose of the Scheme is to encourage the officers and staff to participate in the ownership of the Company in order to provide additional incentives to them.

The total number of shares available for issue under the Scheme is 64,176,000 which represent 26.74% of the issued share capital of the Company at the date of this report.

The maximum entitlement of each participant under the Scheme would not exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

21. Share capital (Continued)

Upon acceptance of the option, the grantee shall duly sign the duplicate of the offer letter together with a remittance in favour of the Company of HK$1 by way of consideration of the grant within 28 days from the date of the offer letter.

The option price will be determined by the directors, but may not be less than the highest of the closing price of the shares on the GEM of the Stock Exchange on the date of the grant of the option or the average of the closing price of the shares on the GEM of the Stock Exchange for the five trading days immediately preceding the date of the offer of grant of the option or the nominal value of the shares.

The Scheme shall remain in force for the period of 10 years commencing on the adoption date of the Scheme which is 2nd June, 2000.

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the board of directors to each grantee. Such period being not less than 3 years after the date of grant of the option and not more than 10 years after the date of grant of option but such period is subject to the provisions for early termination contained in the terms of the Scheme.

(i) As at 31st December, 2002, details of share options granted to eligible employees under the Scheme are as follows:

			Number of shares under option	
Grantees	Date of grant	Exercise price per share	As at 1st January, 2002	As at 31st December, 2002
Employees	11th October, 2000	HK$1.16	7,536,000	6,544,000

The grantees shall be entitled to exercise the above share options granted according to the following schedule:

Exercise period	Maximum number of shares under option exercisable
11th April, 2001 – 10th October, 2001	10%
11th October, 2001 – 10th April, 2002	30%
11th April, 2002 – 10th October, 2002	60%
11th October, 2002 – 10th October, 2003	The balance of shares under option not previously exercised

21. Share capital (Continued)

(ii) Movements in share options

	2002 Number	2001 Number
At 1st January	**7,536,000**	7,824,000
Lapsed	**(992,000)**	(288,000)
At 31st December	**6,544,000**	7,536,000
Options vested at 31st December	**6,544,000**	3,014,400

(iii) No option was exercised during the year.

22. Reserves

The Company	**Share premium** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1.1.2001	1,981	(538)	1,443
Loss for the year	–	(2,256)	(2,256)
At 31.12.2001	1,981	(2,794)	(813)
Premium on issue of ordinary shares	18,000	–	18,000
Share issuing expenses	(951)	–	(951)
Loss for the year	–	(1,139)	(1,139)
At 31.12.2002	**19,030**	**(3,933)**	**15,097**

(a) Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium 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 debts as they fall due in the ordinary course of business.

(b) As at 31st December, 2002, in the opinion of the directors, the reserve of the Company available for distribution to the shareholders amounted to approximately HK$15,097,000 (2001: Nil) subject to the restrictions stated in note 22(a) above.

23. Commitments

(a) Operating leases

As at 31st December, 2002, the Group and the Company had outstanding commitments under non-cancellable operating leases which fall due as follows:

		2002 HK$'000	2001 HK$'000
(i)	The Group		
	Within one year	**2,046**	1,690
	In the second to fifth years inclusive	**1,656**	–
		3,702	1,690
(ii)	The Company		
	Within one year	**484**	548
	In the second to fifth years inclusive	**403**	–
		887	548

Operating lease payments represent rentals payable by the Group and the Company for their office premises. Leases are negotiated for an average term of two years with fixed monthly rentals.

(b) Other than the above, the Group had no material capital and financial commitments.

24. Contingent liability

As at 31st December, 2002, the Company had contingent liability in respect of a corporate guarantee to the extent of HK$30,000,000 (2001: Nil) given to a bank to secure the general banking facilities granted to a subsidiary of which approximately HK$3,525,000 (2001: Nil) were utilised by the subsidiary at that date.

25. Connected and related party transactions

During the year, the Group had the following material transactions with subsidiaries of a related company, CL International Holdings Limited ("CLIH") and Hitachi. Two of the non-executive directors, Mr. Fung Pak Chuen, Alphonso and Mr. Lo, Richard have a family interest of 37.5% in CL Investments Limited which owned 50% of CLIH.

	Notes	**2002** **HK$'000**	2001 HK$'000
Service income from a subsidiary of Hitachi	(i)	**361**	–
Purchase of goods from a subsidiary of CLIH	(ii)	**–**	414
Service fee paid to a subsidiary of CLIH	(iii)	**298**	–
Consultancy fee paid to a subsidiary of CLIH	(i)	**–**	80
Consultancy fee income received from a subsidiary of CLIH	(i)	**72**	60
Commission paid to a subsidiary of CLIH	(iv)	**–**	43

The above transactions were entered into on the following bases:

(i) a fixed amount with reference to the cost of services rendered;

(ii) with reference to market price;

(iii) a certain percentage of the Group's billings on the relevant services; and

(iv) a certain percentage of the contract sum.

The transactions set out above also constituted connected transactions under the GEM Listing Rules. The directors have reviewed the connected transactions and are of the opinion that these transactions were effected on normal commercial terms and in the ordinary course of the business of the Group.

26. Segment reporting

The Group conducts its business within one business segment which is the provision of IT solutions to the financial industry in the PRC. The Group also operates within one geographical segment because over 90% of its revenues are generated from customers located in the PRC. Accordingly, no segment information is presented.

27. Comparative figures

During the year, certain comparative figures have been restated as a result of the adoption of the new/revised accounting standards as mentioned in note 1(b) above and to conform to the current year's presentation.

Financial Summary

Results

	Years ended 31st December,				
	1998	1999	2000	2001	**2002**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	62,199	49,435	37,565	120,990	**68,635**
Profit/(loss) for the year	921	(5,940)	356	4,552	**(20,852)**

Notes:

1. The results of the Group for each of the three years ended 31st December, 2000 presented above include the results of the Company and its subsidiaries with effect from 1st January, 1998 or since their respective dates of incorporation/establishment, where this is a shorter period, on the basis that the current group structure had been in existence throughout the said period.

2. The results of the Group for each of the two years ended 31st December, 2002 are prepared under the basis as set out in note 1(c) on page 28.

Assets and liabilities

	At 31st December,			
	1999	2000	2001	**2002**
	HK$'000	HK$'000	HK$'000	**HK$'000**
NON-CURRENT ASSETS	542	11,877	14,694	**9,022**
CURRENT ASSETS	25,212	21,597	59,131	**47,416**
DEDUCT:				
CURRENT LIABILITIES	29,114	10,796	46,495	**28,721**
NET CURRENT (LIABILITIES)/ASSETS	(3,902)	10,801	12,636	**18,695**
NON-CURRENT LIABILITY	–	(30)	(16)	**(206)**
NET (LIABILITIES)/ASSETS	(3,360)	22,648	27,314	**27,511**

Notes:

1. The assets and liabilities of the Group as at 31st December, 1999 presented above include the assets and liabilities of the Company and its subsidiaries on the basis that the current group structure had been in existence at that date as set out in the prospectus of the Company dated 9th June, 2000.

2. The assets and liabilities of the Group as at 31st December, 2000, 2001 and 2002 presented above include the assets and liabilities of the Company and its subsidiaries on the basis as set out in note 1(c) on page 28.

Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of the shareholders of Computech Holdings Limited (the "Company") will be held at Butterfield's, Dorset House, Taikoo Place, 979 King's Road, Hong Kong on Wednesday, 23rd April, 2003 at 10:00 a.m. for the following purposes:

1. to receive and consider the audited financial statements and the reports of the directors and the auditors for the year ended 31st December, 2002;

2. to re-elect directors and to authorize the board of directors to fix the directors' remuneration;

3. to re-appoint auditors and authorize the board of directors to fix the remuneration;

4. by way of special business, to consider and, if thought fit, pass with or without alterations, the following resolutions as ordinary resolution:

   (1) **That**

   (a) subject to paragraph (c) below the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

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

   (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (where pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue; or (ii) the grant or exercise of any option under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the memorandum and articles of association of the Company in force from time to time; or (iv) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company, shall not exceed the aggregate of:

   (i) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution; and

(ii) (if the directors of the Company are so authorized by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution), and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

(d) for the purpose of this Resolution:

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

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

(ii) the expiration of the period within which the next annual meeting of the Company is required by the memorandum and articles of association of the Company, the Companies Law (1995 Revision) of the Cayman Islands or any other applicable law of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this Resolution.

"Rights Issue" means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for share open for a period fixed by the directors of the Company to holders of shares in the Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the directors of the Company 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, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognized regulatory body or any stock exchange outside Hong Kong).

(2) **That**

(a) the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase its shares on the Stock Exchange of Hong Kong Limited or any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission and the Stock Exchange of Hong Kong Limited for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission. The Stock Exchange of Hong Kong Limited, the memorandum and articles of association of the Company, the Companies Law (1995 Revision) of the Cayman Islands and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

(c) for the purpose of this Resolution, "Relevant Period" means the period from the date of the passing of this Resolution until whichever is earliest of:

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

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company, the Companies Law (1995 Revision) of the Cayman Islands or any other applicable law of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this Resolution.

(3) **That** the directors of the Company be and they are hereby authorized to exercise the authority referred to in paragraph (a) of Resolution no. 4(1) above in respect of the share capital of the Company referred to in sub-paragraph (ii) of paragraph (c) of such Resolution.

By order of the Board
Chow Chi Wah, Vincent
Company Secretary

28th March, 2003

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:
6/F., G.D. Real Estate Tower,
143 Connaught Road Central, Sheung Wan,
Hong Kong

Notes:

(a) A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not to be a shareholder of the Company.

(b) To be valid, a form of 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 deposited with the Company's register and transfer office in Hong Kong, Hong Kong Registrars Ltd, Room 1901-1905, 19/F., Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or at any adjournment thereof.

(c) In relation to proposed resolutions no. 4 above, approval is being sought from the shareholders for the grant to the directors of the Company of a general mandate to authorize the allotment and issue of shares under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The directors of the Company have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme which may be approved by shareholders.

(d) The register of members of the Company will be closed from 17th April, 2003 to 23rd April, 2003, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfer documents accompanied by the relevant share certificates must be lodged with the branch share register of the Company in Hong Kong, Hong Kong Registrars Ltd, Room 1901-1905, 19/F., Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 pm on 16th April, 2003.