优能科技

Neolink Cyber Technology (Holding) Limited

(Incorporated in the Cayman Islands with limited liability)

Annual Report 2002

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The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted 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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

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Corporate Profile

DIRECTORS

Executive Directors
Mr. Cai Zuping *(Chairman)*
Mr. Wang Dingguo *(Vice Chairman)*
Mr. Liu Taikang
Mr. Zhang Zheng

Non-executive Directors
Mr. Chen Kang

Independent Non-executive Directors
Mr. Wong Ping Wong
Mr. Pan Boxin

AUTHORIZED REPRESENTATIVE

Mr. Cai Zuping
Mr. Mak Wing Kit, Terry

AUDIT COMMITTEE MEMBERS

Mr. Wong Ping Wong
Mr. Pan Boxin

COMPLIANCE OFFICER

Mr. Zhang Zheng

COMPANY SECRETARY

Mr. Mak Wing Kit, Terry

QUALIFIED ACCOUNTANT

Mr. Mak Wing Kit, Terry *ACCA, AHKSA*

AUDITORS

RSM Nelson Wheeler
Certified Public Accountants
7th Floor
Allied Kajima Building
138 Gloucester Road
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISORS

On Hong Kong Law:
Chiu, Szeto & Cheng Solicitors
17th Floor
C.M.A. Building
64 Connaught Road Central
Hong Kong

On Cayman Islands Law:
Conyers Dill & Pearman, Cayman
Zephyr House
Mary Street
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

REGISTERED OFFICE

Zephyr House
Mary Street
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

PRINCIPAL PLACE OF BUSINESS

2811, 28th Floor, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Cayman Islands

Bank of Butterfield International (Cayman) Limited
Butterfield House
Fort Street
PO Box 705 George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong

Abacus Share Registrars Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Definition

"Acquisition Agreement"	the agreement made between Mr. Zhu and Shenzhen Neolink dated 30 January 2001 relating to the Acquisition;
"Acquisition"	the Acquisition of 55% equity interest in Shenzhen Max Com by Shenzhen Neolink pursuant to the Acquisition Agreement;
"Baotong"	Hainan Baotong Communication System Company Limited;
"BVI"	the British Virgin Islands;
"Cancelled Shares"	the 14,800,000 Shares held by Mr. Zhu;
"Company"	Neolink Cyber Technology (Holding) Limited;
"DBS"	DBS Asia Capital Limited;
"Director(s)"	the director(s) of the Company;
"Eligible Person(s)"	any employee(s) of the Company or any of its subsidiaries (including any executive Directors or any of its subsidiaries) employed on a full-time;
"GEM"	The Growth Enterprise Market of the Stock Exchange;
"GEM Listing Rules"	Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange;
"Group"	the Company and its subsidiaries;
"Haoyuan Sky Internet"	Beijing Haoyuan Sky Internet Co., Ltd.;
"Haoyuan Yingte"	Beijing Haoyuan Yingte Technology Development Co., Ltd.;
"Hubei Qing Jiang"	Hubei Qing Jiang Hydro-electric Development Company Limited;
"Infonet"	Infonet Group Co., Ltd.;
"Jin Jiang Dao"	Shenzhen Jin Jiang Dao Property Development Company Limited;
"Mr. Zhu"	Mr. Zhu Shengdong 朱勝東;
"Option"	a right to subscribe for Shares granted pursuant to the Scheme;

"Option Period"	the period within which the Option may be exercised in accordance with the terms of the Scheme, which shall be the seven (7) year period commencing three (3) years after the date on which the Option is granted and expiring on the last day of the seven (7) year period;
"PRC"	the People's Republic of China;
"Qing Jiang HK"	Qing Jiang (Hong Kong) Holdings Limited;
"SCCL"	South China Capital Limited;
"Scheme"	the Company adopted the share option scheme pursuant to an ordinary resolution in writing of the sole shareholder of the Company passed on 13 July 2000;
"SFC"	The Securities and Futures Commission of Hong Kong;
"Share(s)"	ordinary share(s) of HK$0.10 each in the capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"Share Repurchase Code"	Hong Kong Code on Share Repurchases;
"Shenzhen Gocom"	Shenzhen Gocom Information Technology Company Limited;
"Shenzhen Communication"	Shenzhen Neolink Communication Technology Co. Ltd.;
"Shenzhen Max Com"	Shenzhen Max Com Industrial Development Limited;
"Shenzhen Neolink"	Neolink Huadian Electronic Technology (Shenzhen) Company Limited;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited; and
"Termination Agreement"	a sale and purchase agreement dated 1 November 2002 made between Shenzhen Neolink, the Company, Shenzhen Max Communication Co. Ltd. and Mr. Zhu in relation to the share repurchase and termination of the Acquisition.

Chairman's Statement

On behalf of the board of Directors, I am pleased to announce the audited annual results of the Company and the Group for the year ended 31 December 2002.

During the year ended 31 December 2002, the Group's total turnover represented a slight decrease of 7% over the previous year to approximately HK$29,669,000. The decrease was mainly attributable to the delivery of the taxi systems to Shanghai Qiangsheng being postponed. In addition to the cancellation of middleperson by the main contractor, the execution of signing the contract in respect of the Laos project for Phase II system expansion was delayed until the end of 2002. Though the Group was ready and delivered part of the self-developed system as regards the contract to Shanghai Betrue before the end of 2002, the relevant sales has not been included in the annual results given the inseparability of the contract.

Loss attributable to shareholders during the year ended 31 December 2002 narrowed to approximately HK$2,527,000, which was lower by HK$13,591,000 as compared with last year. The Group aims at minimizing operating cost and maximizing profitability and efficiency by adhering to its progressive and prudent policies in strategic decision-makings.

Given the postponed execution of certain contracts in 2002, new contracts executed during the first quarter of 2003 significantly outnumbered those of the same periods in the preceding year. As at the date of the announcement of this annual results, the Group has signed sales contracts (including contracts signed at the end of 2002 but not yet executed) with a value of over HK$30 million. The completion of these sales contracts are expected to take place in the year 2003.

The acquisition of a 55% equity interest in Shenzhen Max Com had been satisfied at the end of 2002, the details of which was set out in the Company's announcement dated 6 November 2002. On 30 January 2001, Shenzhen Neolink entered into an agreement with Mr. Zhu in respect of the acquisition of a 55% equity interest in Shenzhen Max Com. In consideration for the acquisition, the Company allotted 14,800,000 shares of HK$0.10 each of the Company to Mr. Zhu and settled an amount of RMB1,000,000 to Shenzhen Max Communication Co. Ltd. However, the acquisition subsequently failed to proceed to completion due to the PRC government's restrictions over foreign investors' equity participation in paging transmitter equipment and the irregularity on the part of Shenzhen Max Communication Co. Ltd. On 1 November 2002, Shenzhen Neolink, Shenzhen Max Communication Co. Ltd., the Company and Mr. Zhu entered into an agreement in respect of the termination of the Acquisition, pursuant to which, the parties agreed upon the termination of the Acquisition and the refund of the consideration of RMB1,000,000 by Shenzhen Max Communication Co. Ltd. On 28 November 2002, the Company repurchased the 14,800,000 shares of the Company at a nominal total cash consideration of HK$1 and thereafter received the refunded acquisition consideration of RMB1,000,000 from Shenzhen Max Communication Co. Ltd. on 20 February 2003.

In 2002, our overall business remained steady as compared with last year. The principal business of radio trunking systems integration and provision of telemedia-related technical services were in line with the plan set by the board of Directors in the early of 2002. The administration expenses also plunged drastically over the previous year. The board of Directors has taken great leaps towards remarkable proven records through effective strategies of narrowing costs and expenditures and fostering sustainable business growth. To drive continuous business growth, the Group made great steps towards active business expansion and new definition exploration in 2002. With the increasing digitalization of radio communication and the rapidly growing telecom value-added services in PRC, the Group is set to enjoy tremendous opportunities for business transformation. The technical digitalization of the radio terminal products, with targeted applications to specialized markets and urban transport facilities, was almost completed during the year.

We are actively expanding into vehicle information services and multimedia messaging services. By further diversifying itself into telecom-related value-added technical services with more promising market potentials, the Group expects to enrich its focused business line of provision of telemedia-related technical services.

On behalf of the board of Directors, I would like to thank our management team and employees for their devoted commitments and efforts in 2002. In addition, I would like to express our deepest gratitude to our customers, business partners and shareholders for their valuable support.

Chairman
Cai Zuping

Hong Kong, 25 March 2003

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Radio Trunking Systems Integration

During the year ended 31 December 2002, the Group's turnover from radio trunking systems integration was approximately HK$23,439,000 which represented a 12% decrease than the previous year. The decrease was mainly attributable to the delayed delivery of the taxi systems to Shanghai Qiangsheng. This was also due to the delayed execution of the contracts for Phase II system expansion under the Laos project, a project undertaken by the Group through Shanghai Betrue, until the end of 2002. Most of the self-developed system equipment has been delivered in the fourth quarter of 2002, and the remaining out-sourcing equipment will be delivered to our clients on a batch-by-batch basis in the first half of 2003. Upon execution of the contract for Phase II system expansion, the Group will be able to establish a closer collaboration relationship with Shanghai Betrue.

In connection with our business line of radio trunking systems integration, stable orders for specialized systems were secured from the PRC government during the year. The Group is actively diversifying its system user base from the existing government departments to other key government departments with similar requirements, and several sets of pilot systems have been put into operation during the year. The Group has established a pilot network of multi-district radio trunking systems for an important department of the PRC government in Beijing by using a new radio frequency. Smooth progress has been made in the development of innovative digital encryption technologies for the mini laptop terminals, a compatible product for the trunking systems developed by the Group for the above government department. Upon completion of the product commercialization, the Group expects to secure a stable source of new clients.

Fruitful success was also made in the marketing of the urban taxi radio regulating systems. The Group has successfully obtained abundant orders for taxi radio regulating system from Guangzhou Lishunlai Co. Ltd.（廣州市利訊來有限公司）. Besides, as at the date of this annual report, the Group and Shanghai Qiangsheng, a vehicle hiring company, have finalized the commercial negotiation and contract execution in respect of the project relating to the upgrading of the radio regulating systems. Shanghai Qiangsheng, one of the most influential vehicle hiring companies in PRC, has ranked the top provider of radio regulating systems and management modes over the years. With Shanghai Qiangsheng's application of the Group's products in its taxi regulating systems, the Group is well poised to expand its product user base into players in the industry of urban taxi radio regulating systems.

In 2002, the Group made an attempt to expand its business line of radio trunking systems integration by diversifying into new industries, including the development of a set of shipping transport regulating and communicating system applicable to Yang Tze River and sets of vehicle regulating and diverting systems for the city's 120 first-aid centres.

The Group aims at capturing a larger market share for its radio trunking systems integration through aggressive marketing strategies. As at the date of this annual report, the Group has signed sales contracts (including contracts signed at the end of 2002 but not yet executed) with a value of over HK$30 million, representing an approximately 50% growth over the previous corresponding period. On this foundation, the Group targets to become one of the leading providers in the industry of radio trunking systems integration by consistently securing specialized system orders from additional sources other than the PRC government.

BUSINESS REVIEW AND OUTLOOK *(continued)*

Provision of Telemedia-related Technical Services

For the year ended 31 December 2002, the turnover from provision of telemedia-related technical services rose to HK$6,230,000, representing a 35% growth over the previous corresponding period. This growth was driven by the remarkable growth in Haoyuan Yingte's telemedia business in Shanghai.

The Group will continue to explore into new business lines in other major cities of PRC. In particular, the Group has set up a paging centre in PRC for the provision of short messaging services for mobile phone users through Haoyuan Yingte. The centre also provides technical supports for developing short messaging services. Through Haoyuan Yingte, the Group established paging centres for telephone enquiries in two cities in PRC, namely Beijing and Shanghai. That centre provides technical supports for fostering further expansion of those business lines. The Group is also actively flourishing its business of multimedia short messaging services.

Development of Digital Trunking Systems

To gradually replace or upgrade the existing products, the Group has devoted consistent efforts in the research and development of digital radio trunking systems in 2002. The generally recognized European system standard of "Tetra" was adopted. While the first generation products are targeted to be launched within two years, the Group will adjust its commitments to the research project in response to market conditions and amount of funds.

Development of Digitalized Terminal Products

With the popularity of GSM and CDMA digital systems in the public communication networks in PRC, most of the specialized radio communication systems and terminals in use require for digitalization and upgrading. In light of this, the management considers that the industry embeds another market segment with tremendous potentials. Leveraging on our past experience in core technologies and digital encryption technologies of the radio trunking systems, we have almost completed the technical digitalization of the radio terminal products. The Group will make great steps towards the digitalization of the terminal products through research in 2003. Research on the targeted markets will also be conducted for introducing a new generation product as and when market demands are explicit.

Development of Vehicle Information Terminals and Services

Taking advantage of the rapidly growing vehicle market in PRC, the Group is actively developing the information terminals applicable to urban transport vehicles. To provide one-stop total services for vehicle users at Haoyuan Yingte's service centres, the Group has made great leaps to enrich its focused business line of provision of telemedia-related technical services by further diversifying itself into telecom value-added services with more promising market potentials.

BUSINESS REVIEW AND OUTLOOK *(continued)*

Legal Issue About Shenzhen Max Com

On 1 November 2002, Shenzhen Neolink, the Company, Shenzhen Max Communication and Mr. Zhu entered into the conditional Termination Agreement. Please refer to the Company's announcement dated 6 November 2002 for details. The conditions precedent to the Termination Agreement had been satisfied and the Company had repurchased and on 28 November 2002 cancelled 14,800,000 Shares previously held by Mr. Zhu, which represented approximately 2.56% of the total issued share capital of the Company. The Cancelled Shares were repurchased from Mr. Zhu at a nominal total cash consideration of HK$1 pursuant to the Termination Agreement. The SFC had granted a waiver from compliance with any off-market repurchase requirements of the Share Repurchase Code in relation to the share repurchase and cancellation by the Company of the Cancelled Shares. The issued share capital of the Company has been reduced to 564,000,000 Shares after the abovementioned cancellation of shares.

FINANCIAL REVIEW

Financial performance

The turnover of the Group was approximately HK$29,669,000 for the year ended 31 December 2002, representing 7% decrease as compared with last year. Radio trunking systems integration contributed a turnover of approximately HK$23,439,000 which is approximately 79% of the total turnover of the Group. The turnover from radio trunking systems integration itself dropped by almost 12% as compared with the previous year. Telemedia-related services recorded a turnover of approximately HK$6,230,000 which is about 35% increase as compared with last year.

The gross profit for the year under review was approximately HK$17,616,000, representing a decrease of 8% from last year. However, the gross profit margin of the Group was maintained at 59% (2001: 60%).

Other revenue increased by approximately HK$1 million due to the gain on disposal of two premises outside of Hong Kong and the increase in other income which were mainly non-recurring.

Distribution costs for the year ended 31 December 2002 increased to approximately HK$3,317,000 from HK$2,089,000 last year. The increase was mainly a result of the increase of marketing expenses and increase of sales commission during the year under review. Administrative expenses decreased by 20% to HK$16,184,000 in 2002 (2001: HK$20,321,000), primarily as a result of continuing tight cost management.

The increase in other operating expenses was mainly attributable to the provision for bad and doubtful debts in which the debt had been long overdue.

No goodwill impairment was made during the year. Moreover, the Group successfully strengthened the expense control. As a result, operating expenses fell sharply during the year. Loss attributable to shareholders for the year ended 31 December 2002 was approximately HK$2,527,000 versus HK$16,118,000 loss in 2001.

FINANCIAL REVIEW *(continued)*

Liquidity and financial resources

The Group generally financed its operations with its internally generated cash flows. The liquidity position of the Group was maintained at a satisfactory level during the period. As at 31 December 2002, the Group has a low gearing ratio of 0.14 (2001: 0.08), calculated on the basis of the Group's bank borrowings over shareholders' funds. Total cash and bank balances was approximately HK$4,871,000 (2001: HK$5,991,000) exceeding bank loans and overdrafts of approximately HK$2,804,000 (2001: HK$2,897,000).

The Group's liquidity position and gearing ratio are healthy, and has sufficient funds to meet its commitment and operational requirements.

Capital structure

Except for the decrease in the Group's bank borrowings by HK$93,000 to approximately HK$2,804,000 during the year, there was no change in the capital structure of the Group as at 31 December 2002 as compared with that as at 31 December 2001.

As at 31 December 2002, all the Group's bank borrowings of approximately HK$2,804,000 which are repayable within one year and are denominated in RMB.

Significant investment

During the year under review there was no significant investment held by the Group.

Charge on group assets

As at 31 December 2002, certain land and buildings under long leases outside Hong Kong with net book value of approximately HK$622,000 were pledged to a bank to secure banking facilities.

Foreign currency exposure

Since the Group's sales, purchases and loans were substantially denominated in either RMB or HK$, the board of Directors considers that the potential foreign exchange exposure of the Group is limited.

Contingent liabilities

As at 31 December 2002, the Board was not aware of any material contingent liabilities.

FINANCIAL REVIEW *(continued)*

Staff and remuneration policies

As at 31 December 2002, the Group employed a workforce of approximately 100, the majority of whom were employed in the PRC. Staff cost, excluding directors' emoluments, amounted to approximately HK$9,031,000. The Group's remuneration policy has been in line with the prevailing market practice including discretionary bonus and remunerates its employees based on their performance and contribution. Other benefits include contributions to pension scheme and medical insurance.

Future plans for material investments or capital assets

The Group did not have any details of future plan for material investments or capital assets as at 31 December 2002.

Acquisitions and disposals of subsidiaries and affiliated companies

The Group had no acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2002.

Comparison of Business Objectives with Actual Business Progress

Business objectives as stated in the prospectus dated 18 July 2000 ("the Prospectus") for the year ended 31 December 2002.	**Actual business progress**
Provision of telemedia-related technical services	
Research and development	
• Call centre system version two.	Business opportunities for call centre service are growing after China's accession to the World Trade Organisation. But the scale of the market is still uncertain. Research and Development ("R&D") and applications on medium-scale and small-scale call centre systems are still in progress.
• New call centre system and related application software.	The principal system focused on marketing research is under development and modification.
Sales	
• Technical services to new telemedia establishments of Haoyuan Yingte in two cities in the PRC.	Continuous provision of technical services and telemedia programmes, including new technical service for mobile short messages, to existing telemedia establishments of Haoyuan Yingte.
• Regular technical services and telemedia programmes to existing telemedia establishments of Haoyuan Yingte.	Continuous provision of technical services and telemedia programmes, including new technical service for mobile short messages, to existing telemedia establishments of Haoyuan Yingte.
• Sale of the second call centre system.	A small-scale call centre system has been promoted in Beijing by Haoyuan Yingte.
Radio trunking systems integration	
Research and development	
• Digital trunking system and its peripheral equipment.	Resolved by the board of directors to invest in the development of digital trunking system by adopting the European "Tetra Standard".

Comparison of Business Objectives with Actual Business Progress

Business objectives as stated in the prospectus dated 18 July 2000 ("the Prospectus") for the year ended 31 December 2002.	Actual business progress
Radio trunking systems integration *(continued)*	
Research and development (continued)	
• Digital trunking mobile equipment.	Postponed and expected to be implemented after the completion of the system.
• Specialised transport vehicle use terminal.	Modified 2.4G terminal used specially for port transport system being used by customers in other Chinese big port cities apart from Shanghai.
Sales	
• ODIN systems to overseas markets.	No new orders.
• ODIN systems in PRC.	Sales of systems to customer in Shanghai and Guangzhou.
• ODIN systems expansions in PRC.	Sales to customers in Shanghai, Beijing and Zhenjiang for system expansion.
• Specialised railway use systems.	Sales of specialised railway use systems through Zhong Rui Te in Beijing.
• Specialised government systems.	Specialised government systems delivered.
• Specialised highway use systems.	No sales of specialised highway use systems. Only sales of a set of specialised ship use systems.
Provision of Internet solutions and related technical services	
Research and development	
• Develop new technical services under the integrated information services network environment.	As mentioned in the half year report of 2001, in response to the latest internet market development, the Group has suspended development in ICP and has kept investment in ISP to a minimum level.
Sales	
• Technical services to new ISP establishments of Haoyuan Sky Internet in six cities in PRC.	No sales achieved yet.
• Internet information content to support the ICP business of Haoyuan Sky Internet.	No sales achieved yet.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. CAI Zuping, aged 45, is the chairman of the Company. He is one of the founders of the Group and is responsible for the overall strategic planning of the Group and the planning of the Group's business development in the PRC. Mr. Cai graduated from an electronic engineering college in Taiyuan, Shanxi, the PRC and since then, has worked in communication related government departments in the PRC for six years. He founded the Group in 1990. He has over 25 years of experience in the communications industry.

Mr. WANG Dingguo, aged 60, is the vice-chairman of the Company. He is also the president of Hubei Qing Jiang, general manager of Hubei Province Qing Jiang Hydro-electric Investment Company and chairman of Qing Jiang HK. Mr. Wang graduated from the Industrial Institute of Central China in 1968 with major in thermal energy. He is very experienced in national economic management, theories and research of investment management and enterprise management. Mr. Wang is also a representative of the Ninth National People's Congress and the Chairman of the Hubei Province Enterprise Association. He was the Deputy Secretary of the People's Government of Hubei Province, a member of the Economic Restructuring Committee of Hubei Province and the officer-in-charge of the Policy Research Office of Hubei Province. Mr. Wang is a part-time professor of the University of Science & Technology of Central China and the Wuhan University.

Mr. LIU Taikang, aged 59, is an executive director of the Company. He is also a director and the general manager of Hubei Qing Jiang, an executive director of Qing Jiang HK. Mr. Liu graduated from the Wuhan University of Surveying Technology. He is very experienced in enterprise management. He is a professorial senior engineer. He has extensive research on Global Positioning Systems (GPS). Mr. Liu is an executive committee member of the China Hydro-Electric Engineering Association.

Mr. ZHANG Zheng, aged 41. is an executive director of the Company. He is responsible for the day-to-day management of the Group's businesses. He is also the compliance officer of the Company. Mr. Zhang holds a bachelor degree in engineering from Ceramics College of the PRC and has over 18 years of experience in computer and communications. Mr. Zhang joined the Group in 1992. Prior to joining the Group, Mr. Zhang worked for the Hangzhou Automation Research Institute and subsequently worked in a senior management position for five years in a Sino-foreign equity joint venture computer company in the PRC.

NON-EXECUTIVE DIRECTOR

Mr. CHEN Kang, aged 43, graduated from Beijing University of Chemical Technology, the PRC and Newcastle University of England. Mr. Chen has over 15 years of experience in the fields of chemical technology, information technology and telecommunications. He joined the Group in 2002. Mr. Chen is currently a director of Smartrade Telecommunications Technology Limited engaged in PRC telecommunications business and a director of Smart Act Software Company Limited engaged in PRC software development.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Ping Wong, aged 39, is an independent non-executive director of the Company. He has been engaged in telecommunications management since he graduated from Beijing University of Postal Telecommunications in 1984. He is currently a director of a company engaged in PRC-Hong Kong telecommunications business.

Mr. PAN Boxin, aged 60, is an independent non-executive director of the Company. He is currently a director who participates in the operations of the Shanghai Diamond Exchange Market which engages in diamond trading and verification.

SENIOR MANAGEMENT

Mr. LI Chaobin, aged 49, is the chief executive officer of the Company. Mr. Li joined the Group in 2001 and is responsible for the strategic development and management of the Group. Mr. Li is also the director and deputy general manager of Hubei Qing Jiang, the director and general manager of Shenzhen Qing Jiang Investment & Development Company Limited, and the president of Yi Chang Qing Jiang Industry Company Limited. Mr. Li, worked in government departments more than ten years, is a senior officer of economic administration and has over 22 years of experience in project investment and corporate management.

Mr. LU Chunming, aged 46, is the vice president of the Company. He is also the general manager of Beijing Neolink Information Technology Company Limited and is responsible for the management of telemedia business of the Group. He graduated from Beijing Teacher's University in the PRC and joined the Group in 1995. Prior to joining the Group, Mr. Lu worked for the Post and Telecommunication Science Research Institute and Authorities Service Bureau of the former MPT. He has over 22 years of experience in the communications industry.

Mr. CHEN Huanming, aged 38, is the vice president of the Company. He is also the general manager of both Hangzhou Neolink Communication Equipment Company Limited and Neolink Electronic Technology (Beijing) Company Limited. Mr. Chen is responsible for the management of radio trunking systems integration business of the Group. He holds a bachelor degree in electronic engineering from Zhejiang University in the PRC and joined the Group in 1992. Mr. Chen has over 16 years of experience in the electronics and communications industries.

Mr. MI Lei, aged 39, is the head of the research centre of Hangzhou Neolink Communication Equipment Company Limited and is responsible for the research and development of new products for the Group. He graduated from Zhejiang University in the PRC with a bachelor degree in electronic engineering. Mr. Mi joined the Group in 1996 and has over 17 years of experience in the electronics and communications industries.

SENIOR MANAGEMENT (continued)

Mr. MAK Wing Kit, Terry, aged 34, is the finance manager, company secretary and qualified accountant of the Company. Mr. Mak joined the Group in 2002 and is in charge of the accounts department and corporate secretarial division. Mr. Mak received a Master's degree in financial economics from Boston University, the United States. He is a member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants. He has over 10 years of experience in the accounting and auditing field.

Report of the Directors

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The Group is principally engaged in radio trunking systems integration and provision of telemedia-related technical services.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to operating loss for the year by principal activities is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2002 and the state of the affairs of the Company and of the Group at that date are set out in the financial statements on pages 29 to 63.

The Directors do not recommend the payment of a dividend for the year.

PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2002 are set out in note 14 to the financial statements.

FIXED ASSETS

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

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in statement of changes in equity on pages 33 and 34.

DISTRIBUTABLE RESERVES

As at 31 December 2002, the Company has no reserves available for distribution to shareholders (2001: HK$24,327,000) in accordance with the Companies Law of the Cayman Islands and the Company's Articles of Association.

BANK LOANS

Particulars of the bank loans of the Group as at 31 December 2002 are set out in note 24 to the financial statements.

DONATION

The Group did not make any charitable donation during the year.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year, together with reasons therefore, are set out in note 25 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 64.

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

– the largest supplier	30%
– five largest suppliers combined	66%

Sales

– the largest customer	36%
– five largest customers combined	81%

The largest and second largest customers of the Group are Baotong and Haoyuan Yingte respectively.

Save as mentioned above, none of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2002, the Company purchased by way of private arrangement a total of 14,800,000 shares of HK$0.10 each of the Company, all of which were cancelled. Particulars of the shares repurchased are as follows:

Trading Date	Number of shares repurchased	Price per share	Total Cost
		HK$	*HK$*
28/11/2002	14,800,000	Not applicable	1
Total	14,800,000		1

The Directors confirmed that the abovementioned purchase was made pursuant to the Termination Agreement and in accordance with the GEM Listing Rules.

Save as disclosed herein, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's shares during the year.

SHARE OPTION

Pursuant to the Scheme, the executive directors of the Company may, at their discretion, grant options to the Directors and full-time employees of the Group. Details of the Scheme are as follows:

(a) Purpose of the Scheme

The purpose of the Scheme is to advance the interests of the Company and its Shareholders by enabling the Company to grant Options to attract, retain and reward all the Eligible Persons and to provide to the Eligible Person an incentive or reward for their contribution to the Group and by enhancing such persons' contribution to increase profits.

(b) Participants of the Scheme

The Directors may, at its absolute discretion and subject to such conditions as it may think fit offer to an Eligible Person and a right to subscribe for such number of Shares granted pursuant to the Scheme.

(c) Total number of shares available for issue under the Scheme

The total number of Shares available for issue under the Scheme as at 31 December 2002 was 56,400,000, representing 10% of the issued share capital of the Company as at 31 December 2002.

SHARE OPTION *(continued)*

(d) Maximum entitlement of each participant

No Option may be granted to any one Eligible Person which, if exercised in full, would result in the total number of Shares already issued and issuable to him/her under the Scheme exceeding 25% of the aggregate number of Shares for the time being issued and issuable under the Scheme.

(e) Options exercisable period

An Option may be exercised, in whole or in part, at any time during the Option Period. For the avoidance of doubt, no Option may be exercised before the fourth anniversary of the date on which the Option is granted.

(f) Payment on acceptance of Option

Pursuant to the Scheme, HK$1 shall be payable by the grantee to the Company in exercising the right to accept an offer of the Option. The Option shall remain open for acceptance for a period of 21 days from the date on which an Option is offered to the grantee.

(g) Basis of determining the exercise price

The exercise price shall be equal to the higher of (i) the closing price of the Shares as stated in GEM's daily quotations sheet on the date of which Options are offered and (ii) the average closing price of the Share as stated in GEM's daily quotations sheets for the 5 business days immediately preceding the date of which Options are granted.

(h) Remaining life of the Scheme

The Scheme will remain valid until 12 July 2010.

On 5 January 2001, Options were granted to an executive Director and certain employees of the Group pursuant to the Scheme as follows:

Name	Position	Number of Options	Exercisable period	Exercise price per share
Mr. Zhang Zheng	Executive director	10,000,000	5 January 2004 to 4 January 2008	HK$0.72
Mr. Lu Chunming	Senior management staff	10,000,000	5 January 2004 to 4 January 2008	HK$0.72
Mr. Chen Huanming	Senior management staff	10,000,000	5 January 2004 to 4 January 2008	HK$0.72

Report of the Directors

SHARE OPTION *(continued)*

(h) Remaining life of the Scheme *(continued)*

As at 31 December 2002, there were 30,000,000 (2001: 30,000,000) Options remained outstanding, representing in aggregate approximately 5.3% of the existing issued share capital of the Company.

Save as disclosed above, no Options under the Scheme had been granted, exercised, cancelled, or lapsed during the year ended 31 December 2002.

The Directors do not consider it is appropriate to disclose a theoretical value of the Options granted to the Directors and employees of the Group because a number of factors crucial for the valuation cannot be determined. Accordingly, any valuation of the Options based on various speculative assumptions would not be meaningful, but would be misleading to the shareholders of the Company.

DIRECTORS

The Directors who held office during the year were:

Mr. Cai Zuping
Mr. Wang Dingguo
Mr. Liu Taikang
Mr. Zhang Zheng
Mr. Chen Kang# (appointed on 3 July 2002)
Mr. Wong Ping Wong*
Mr. Pan Boxin*

Non-executive director
* Independent non-executive director

One third of the Directors shall retire at the forthcoming annual general meeting in accordance with Article 87 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Cai Zuping and Mr. Zhang Zheng, being the executive directors, has entered into a service contract with the Company for a term of three years commencing from 25 July 2000.

Each of Mr. Wang Dingguo and Liu Taikang, being the executive directors, has entered into a service contract with the Company for a term of three years commencing from 20 September 2001.

Mr. Chen Kang, being the non-executive director, has entered into a service contract with the Company for a term of three years commencing from 3 July 2002.

DIRECTORS' SERVICE CONTRACTS *(continued)*

The service contract of each of the executive directors and the non-executive director shall continue thereafter unless terminated by not less than three months' notice in writing served by either party to the other.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 15 to 17 of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 29 to the financial statements, no contracts of significance in relation to the Company's business to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which any Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SHAREHOLDING INTERESTS IN THE COMPANY

As at 31 December 2002, the interests of the Directors of the Company in the shares of the Company pursuant to Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance were as follows:

Name	Type of interests	Number of issued shares held
Mr. Cai Zuping *(Note)*	Corporate	412,000,000

Note: Mr. Cai Zuping holds his deemed interests in the Company through his shareholding of 45.93% in Infonet which holds 73.05% of the total issued share capital of the Company. Mr. Zhang Zheng, an executive director of the Company, also has interests in the Company through his shareholding of 5.86% in Infonet.

		Share option	
Name	Granted	Exercised	At 31 December 2002
Mr. Zhang Zheng	10,000,000	–	10,000,000

On 5 January 2001, 10,000,000 options were granted to Mr. Zhang Zheng. The Options will be exercisable at HK$0.72 from 5 January 2004 and will expire on 4 January 2008. No Options were waived or exercised during the year ended 31 December 2002.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Except the Options disclosed above, at no time during the year was the Company, its holding company, fellow subsidiaries or subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the shares of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31 December 2002, the following party was interested in 10% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 16(1) of the Hong Kong Securities (Disclosure of Interests) Ordinance.

Name	Number of issued shares	Percentage of total issued shares
Infonet *(Note)*	412,000,000	73.05

Note: Infonet is a company incorporated in the BVI, 56.11% of the issued capital of which was beneficially owned by the executive directors and senior management staff of the Company and its subsidiaries, as at 31 December 2002, as follows:

Executive directors

– 45.93% by Mr. Cai Zuping; and
– 5.86% by Mr. Zhang Zheng.

Senior management staff

– 2.25% by Mr. Lu Chunming;
– 1.90% by Mr. Chen Huanming;
– 0.17% by Mr. Mi Lei; and

The balance of 26.00%, 13.04%, 2.60%, 2.08% and 0.17% are owned respectively by:

– Qing Jiang HK, a company incorporated in Hong Kong which is beneficially owned by Hubei Qing Jiang;

– Mr. He Yuefeng;

– Smooth Gain Profits Limited, a company incorporated in the BVI which is owned by Mr. Wan Qiu Sheng and his wife each holds a 50% shareholding;

– Distinct Developments Limited, a company incorporated in the BVI which is owned by two PRC individuals each holding a 50% shareholding; and

– Mr. Pun Kam Wai, Peter.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY *(continued)*

Mr. Wang Dingguo and Mr. Liu Taikang representing Qing Jiang HK are executive directors of the Company.

Mr. He Yuefeng, Mr. Pun Kam Wai, Peter, the shareholders of Smooth Gain Profits Limited and Distinct Developments Limited are independent third parties not connected with the Directors, chief executives or substantial shareholders of the Company, any of its subsidiaries or any of their respective associates. They are not involved in the management of the Company and its subsidiaries.

Infonet, Mr. Cai Zuping and Qing Jiang HK are substantial shareholders of the Company for the purpose of the GEM Listing Rules.

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 Hong Kong Securities (Disclosure of Interests) Ordinance.

MANAGEMENT CONTRACTS

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

PENSION SCHEME ARRANGEMENT

Particulars of the pension scheme arrangements are set out in note 28 to the financial statements.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year, which do not constitute connected transactions under GEM Listing Rules, are disclosed in note 29 to the financial statements.

Other related party transactions, which also constitute connected transactions under the GEM Listing Rules, required to be disclosed in accordance with Chapter 20 of the GEM Listing Rules are as follows:

(1) On 11 November 1999, a subsidiary of the Company entered into a technical services agreement with Haoyuan Yingte regarding the provision of telemedia-related technical services by the Group to Haoyuan Yingte. Haoyuan Yingte is 60% and 37% owned by Shenzhen Gocom and Shenzhen Communication respectively. Both of Shenzhen Gocom and Shenzhen Communication are 50% held by a sister of Mr. Cai Zuping, an executive director of the Company and 50% held by Jin Jiang Dao. Jin Jiang Dao is beneficially owned by Hubei Qing Jiang. The total service income earned by the Group amounted to approximately HK$6,220,000 for the year ended 31 December 2002.

CONNECTED TRANSACTIONS *(continued)*

(2) On 11 November 1999, a subsidiary of the Company entered into a technical services agreement with Haoyuan Sky Internet regarding the provision of Internet solutions and related technical services by the Group to Haoyuan Sky Internet. Haoyuan Sky Internet is 50% held by a sister of Mr. Cai Zuping, a director of the Company and 49% held by Jin Jiang Dao. No service income was earned by the Group during the year.

(3) Certain subsidiaries of the Company have sold certain specialised government use radio trunking systems and equipment, and rendered related technical services to Baotong for a total consideration of approximately HK$10,534,000 during the year. Baotong is a company established in the PRC and is 55% held by Shenzhen Communication.

(4) On 1 January 2002, the Company entered into a consultancy service agreement with Qing Jiang HK under which Qing Jiang HK provided the consultancy services regarding to marketing of radio trunking system at a consideration of HK$180,000 during the year.

COMPETING INTERESTS

The Directors are not aware of, as at 31 December 2002, any business or interest of each Director, management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

POST BALANCE SHEET EVENTS

Details of the post balance sheet events which have been taken place subsequent to the balance sheet date are set out in note 30 to the financial statements.

SPONSOR'S INTERESTS

Pursuant to the agreement dated 17 July 2000 and entered into between the Company and DBS, DBS received a fee for acting as the Company's retained sponsor for the period of two years commencing 25 July 2000. Subsequently both parties mutually agreed that the appointment of DBS as the sponsor to the Company was terminated with effect from 16 January 2002. As at 16 January 2002, none of the DBS, its directors, employees and their associates had any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

SCCL was appointed as the sponsor to the Company for the period from 16 January 2002 to 31 December 2002. As at 31 December 2002, none of SCCL, its directors, employees and their associates had any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

AUDIT COMMITTEE

In compliance with Rule 5.23 to 5.25 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which describe the authority and duties.

The primary duties of the audit committee are to review and supervise the Company's financial reporting process and internal control systems. The audit committee comprises two independent non-executive directors of the Company, namely Mr. Wong Ping Wong and Mr. Pan Boxin who collectively held once during the current financial year. The Group's audited results for the year ended 31 December 2002 have been reviewed by the audit committee, who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules during the year ended 31 December 2002.

AUDITORS

The financial statements for the year ended 31 December 2002 and 2001 have been audited by RSM Nelson Wheeler, who retire and, being eligible, offer themselves for re-appointment. Whereas the financial statements for the year ended 31 December 2000 have been audited by PricewaterhouseCoopers.

On behalf of the board
Cai Zuping
Chairman

Hong Kong, 25 March 2003

Auditors' Report

RSM! Nelson Wheeler
羅 申 美 會 計 師 行
Certified Public Accountants

TO THE SHAREHOLDERS OF
NEOLINK CYBER TECHNOLOGY (HOLDING) LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the financial statements on pages 29 to 63 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The 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 financial 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 Company's and the Group's affairs as at 31 December 2002 and of the Group's results and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong
25 March 2003

Consolidated Income Statement

For the year ended 31 December 2002

	Note	2002 HK$'000	2001 HK$'000
Turnover	4	**29,669**	31,893
Cost of sales and services		**(12,053)**	(12,806)
Gross profit		**17,616**	19,087
Other revenues	4	**1,428**	426
Distribution costs		**(3,317)**	(2,089)
Administrative expenses		**(16,184)**	(20,321)
Other operating expenses		**(2,117)**	436
Provision for inventories and prepayments in relation to personal digital assistant business		**–**	(1,063)
Impairment of goodwill	16	**–**	(12,015)
Loss from operations	6	**(2,574)**	(15,539)
Finance costs	7	**(132)**	(216)
Loss before taxation		**(2,706)**	(15,755)
Taxation	8	**–**	(226)
Loss after taxation		**(2,706)**	(15,981)
Minority interests		**179**	(137)
Loss attributable to shareholders	9	**(2,527)**	(16,118)
		HK cents	*HK cents*
Loss per share	11	**(0.45)**	(2.80)

The notes on pages 37 to 63 form an integral part of these financial statements.

Consolidated Balance Sheet

At 31 December 2002

	Note	**2002**	2001
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Fixed assets	*13(a)*	**4,008**	4,721
Non-trading securities	*15*	**–**	14,950
		4,008	19,671
Current assets			
Inventories	*17*	**4,566**	3,574
Trade receivables	*18*	**6,207**	10,858
Prepayments, deposits and other receivables		**3,896**	3,600
Amounts due from related companies	*19*	**12,556**	9,615
Bank and cash balances	*20*	**4,871**	5,991
		32,096	33,638
Less: **Current liabilities**			
Trade payables	*21*	**4,769**	3,666
Accruals and other payables		**5,911**	6,632
Amount due to ultimate holding company	*22*	**2,957**	1,665
Amounts due to related companies	*23*	**257**	2,119
Taxation payable		**–**	217
Secured bank loans	*24*	**2,804**	2,897
		16,698	17,196
Net current assets		**15,398**	16,442
Total assets less current liabilities		**19,406**	36,113
Non-current liabilities			
Minority interests		**(42)**	137
NET ASSETS		**19,448**	35,976

The notes on pages 37 to 63 form an integral part of these financial statements.

	Note	**2002**	2001
		HK$'000	*HK$'000*
CAPITAL AND RESERVES			
Share capital	*25*	**56,400**	57,880
Reserves		**(36,952)**	(21,904)
SHAREHOLDERS' FUNDS		**19,448**	35,976

Approved by the Board of Directors on 25 March 2003

Cai Zuping
Director

Zhang Zheng
Director

The notes on pages 37 to 63 form an integral part of these financial statements.

Balance Sheet

At 31 December 2002

	Note	2002 HK$'000	2001 HK$'000
ASSETS			
Non-current assets			
Fixed assets	13(b)	**189**	310
Investments in subsidiaries	14	**26,970**	83,190
		27,159	83,500
Current assets			
Deposits and other receivables		**184**	991
Bank and cash balances		**29**	8
		213	999
Less: **Current liabilities**			
Amount due to ultimate holding company	22	**2,910**	1,650
Amount due to a related company		**164**	–
Accruals and other payables		**895**	642
		3,969	2,292
Net current liabilities		**(3,756)**	(1,293)
NET ASSETS		**23,403**	82,207
CAPITAL AND RESERVES			
Share capital	25	**56,400**	57,880
Reserves		**(32,997)**	24,327
SHAREHOLDERS' FUNDS		**23,403**	82,207

Approved by the Board of Directors on 25 March 2003

Cai Zuping
Director

Zhang Zheng
Director

The notes on pages 37 to 63 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2002

Group

	Share capital HK$'000	Share premium HK$'000	Merger reserve *(Note (ii))* HK$'000	Revaluation reserve HK$'000	General reserve *(Note (i))* HK$'000	Enterprise expansion fund *(Note (i))* HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2001	56,000	21,793	(46,815)	400	2,136	50	(15)	(1,005)	32,544
Issue of shares	1,880	–	–	–	–	–	–	–	1,880
Premium on issue of shares	–	17,736	–	–	–	–	–	–	17,736
Loss for the year attributable to shareholders	–	–	–	–	–	–	–	(16,118)	(16,118)
Transfer to general reserve	–	–	–	–	111	–	–	(111)	–
Exchange differences	–	–	–	–	–	–	(66)	–	(66)
At 31 December 2001	57,880	39,529	(46,815)	400	2,247	50	(81)	(17,234)	35,976
Shares repurchased and cancelled	(1,480)	(12,536)	–	–	–	–	–	–	(14,016)
Loss for the year attributable to shareholders	–	–	–	–	–	–	–	(2,527)	(2,527)
Reserves transferred to profit and loss account upon disposal of land and buildings under long leases outside Hong Kong	–	–	–	(93)	–	–	–	93	–
Transfer to general reserve	–	–	–	–	1,634	–	–	(1,634)	–
Exchange differences	–	–	–	–	–	–	15	–	15
At 31 December 2002	56,400	26,993	(46,815)	307	3,881	50	(66)	(21,302)	19,448

The notes on pages 37 to 63 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2002

Note:

(i) The general reserve and enterprise expansion fund are set up by subsidiaries established and operated in the PRC by way of appropriation from the profit after taxation in accordance with the relevant laws and regulations in the PRC. The rate of appropriation of the general reserve and enterprise expansion fund is subject to the decision of the board of directors of the PRC subsidiaries, but the minimum appropriation rate for the general reserve is 10% of the profit after taxation for each year, until when the accumulated balance reaches 50% of the total registered capital of the subsidiary. Pursuant to the relevant laws and regulations of the PRC, if approvals are obtained from the relevant government authorities, the general reserve can be used in setting off accumulated losses or to increase the capital, and the enterprise expansion fund can be used to increase the capital.

(ii) Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the Reorganisation (note 3(a)(ii)).

Company

	Share capital	**Share premium**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2001	56,000	21,793	(6,238)	71,555
Issue of shares	1,880	–	–	1,880
Premium on issue of shares	–	17,736	–	17,736
Loss for the year	–	–	(8,964)	(8,964)
At 31 December 2001	57,880	39,529	(15,202)	82,207
Shares repurchased and cancelled	(1,480)	(12,536)	–	(14,016)
Loss for the year	–	–	(44,788)	(44,788)
At 31 December 2002	56,400	26,993	(59,990)	23,403

Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company.

The notes on pages 37 to 63 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2002

	2002 HK$'000	2001 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(2,706)**	(15,755)
Adjustments for:		
Interest income	**(86)**	(194)
Interest on bank loans	**132**	216
Depreciation of fixed assets	**1,440**	1,775
Gain on disposal of fixed assets	**(260)**	(99)
Amortisation of goodwill	**–**	500
Impairment of goodwill	**–**	12,015
Increase in inventories	**(992)**	(562)
Operating loss before working capital changes	**(2,472)**	(2,104)
Decrease/(increase) in trade receivables, prepayments, deposits and other receivables	**4,355**	(7,021)
(Increase)/decrease in amounts due from related companies	**(4,803)**	2,123
Decrease in loan to a director	**–**	300
Increase in trade payables, accruals and other payables	**382**	2,981
Increase in amount due to ultimate holding company	**1,292**	2,122
Cash outflow from operations	**(1,246)**	(1,599)
Interest on bank loans	**(132)**	(216)
Income tax (paid)/refunded	**(217)**	29
Net cash outflow from operating activities	**(1,595)**	(1,786)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	**(940)**	(1,014)
Sales proceeds of fixed assets	**473**	270
Interest income	**86**	194
Purchase of non-trading securities	**–**	(934)
Refund of payment of non-trading securities	**934**	–
Excess payment of acquisition refunded	**–**	157
Net cash inflow/(outflow) from investing activities	**553**	(1,327)

The notes on pages 37 to 63 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2002

	2002	2001
	HK$'000	*HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in bank loans	**2,804**	2,897
Repayment of bank loans	**(2,897)**	(1,869)
Net cash (outflow)/inflow from financing activities	**(93)**	1,028
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,135)**	(2,085)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**15**	(66)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**5,991**	8,142
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**4,871**	5,991
ANALYSIS OF CASH AND CASH EQUIVALENTS AT 31 DECEMBER		
Bank and cash balances	**4,871**	5,991

The notes on pages 37 to 63 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2002

1. GENERAL

The Company was incorporated in the Cayman Islands on 13 October 1999 as an exempted Company with limited liability under the Companies Law of the Cayman Islands. The Company's shares have been listed on the GEM of the Stock Exchange since 25 July 2000. The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 14 to the financial statements.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICES

The accounting policies used in the preparation of the financial statements are consistent with the previous year except that the Company has adopted the following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") which became effective for the current financial year.

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

The changes to accounting policies and the effects are as follows:

SSAP 1 (revised)

A statement of changes in equity is presented in the current year's financial statements. In previous year a statement of recognised gains and losses was presented.

SSAP 11 (revised)

The income statement's items of foreign subsidiaries are translated at average exchange rates. In previous year these items were translated at closing rates. The new accounting policy has been adopted retrospectively.

SSAP 15 (revised)

This revised statement affects the revised presentation and new disclosure of cash flow statement.

SSAP 34

SSAP 34 prescribes the recognition, measurement and disclosure requirements for employee benefits and long service payments. The adoption of this SSAP has resulted in a provision for the estimated liability for annual leave in the financial statements. No such provision was made in the previous year.

3. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

(i) The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

(ii) On 13 July 2000, the Company became the holding company of other companies comprising the Group pursuant to a group reorganisation ("the Reorganisation") which included exchanges of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation have been regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated results of the Group for the year ended 31 December 1998 include the results of the Company and its subsidiaries with effect from 1 January 1998 or since their respective date of incorporation, where that is a shorter period, as if the current group structure had been in existence throughout the year ended 31 December 1998.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. 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 intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Consolidation *(continued)*

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

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

The merger reserve of the Group includes the difference between the nominal value of the share capital of subsidiaries acquired and the nominal value of the shares issued by the Company in exchange thereof, and also any existing balance on the share premium account of the subsidiaries.

(c) Goodwill

Goodwill represents the excess of purchase consideration over the Group's share of the fair values ascribed to the net assets of subsidiaries acquired at the date of acquisition.

Goodwill on acquisitions is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill arising on major strategic acquisition of the Group to expand its product or geographical market coverage is amortised over a maximum period of 15 years. For all other acquisitions, goodwill is generally amortised over 5 to 10 years.

(d) Fixed assets

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

Leasehold land and buildings are stated at valuation, being the fair value at the date of revaluation, less subsequent accumulated amortisation or depreciation. Independent valuations are performed periodically. In the intervening years, the directors review the carrying value of the leasehold land and buildings and adjustment is made where there has been a material change. Increases in valuation are credited to the revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and thereafter debited to the income statement. Any subsequent increases are credited to the income statement up to the amount previously debited.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(d) Fixed assets *(continued)*

Amortisation of leasehold land is calculated to write off its cost over the unexpired periods of the leases on a straight-line basis. The principal annual rate used for this purpose is 1% per annum.

Depreciation of leasehold buildings is calculated to write off their cost on a straight-line basis over the unexpired periods of the leases or their expected useful lives to the Group, whichever is the shorter. The principal annual rate used for this purpose is 5% per annum.

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

Leasehold improvements	33% to 50%
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Computer equipment	33%
Motor vehicles	33%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement. Any revaluation reserves balance remaining attributable to the relevant asset is transferred to accumulated losses and is shown as a movement in reserves.

(e) Research and development costs

Research and development costs are expensed as incurred, except for development costs where the technical feasibility of the product under development has been demonstrated, costs are identified and a market exists for the product such that it is probable for it will be profitable. Such development costs are recognised as assets and amortised on a straight-line basis over a period of not more than five years to reflect the pattern in which the related economic benefits are recognised. During the year, all research and development costs are expensed in the income statement.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and 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. For the purpose of cash flow, bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(h) Trade receivables

Provision is made against trade receivables to the extent which they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(i) Revenue recognition

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

Revenue from the provision of technical services is recognised when the services are rendered.

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

(j) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease term.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(k) Impairment of assets

At each balance sheet date, tangible and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from sale in an arm's length transaction; value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if that is not possible, for the cash-generating unit.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment no longer exists or has decreased. The reversal is recorded in the income statement.

(l) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that take a substantial period of time to develop for their intended uses or sale are capitalised as part of the carrying value of that asset. All other borrowing costs are charged to the income statement in the period in which they are incurred.

During the year, all borrowing costs are expensed as incurred.

(m) Foreign currency translation

Transactions in foreign currencies are translated into Hong Kong dollars at the approximate rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves. Upon the disposal of an overseas subsidiary, the related cumulative exchange difference is included in the income statement as part of the gain or loss on disposal.

The income statements of subsidiaries expressed in foreign currencies are translated at average rate for the year whereas these income statements were translated at rates of exchange ruling at the balance sheet date in prior years. This is a change in accounting policy, however, the translation of these income statements in prior years has not been restated as the effect of this change is not material to the current and prior years.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(n) Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowable.

Deferred taxation is provided using the liability method on all material timing differences, other than those which are not expected to crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

(o) Employee benefits

(i) The Group's contributions to defined contribution retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as expenses as incurred.

(ii) When the Company grants employees options to acquire shares of the Company, the option exercise price equals the market price of the underlying shares at the date of the grant and no employee benefit cost or obligation is recognised at that time. When the options are exercised, equity is increased by the amount of the proceeds received.

(iii) 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.

(p) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amounts can be made. Where the effect of the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(q) 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.

Inter-segment pricing is based on similar terms as those available to other external parties.

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. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the combination process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets 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 and minority interest.

(r) Related parties

Two 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. Related parties may be individual or corporate entities.

(s) Pre-operating expenses

Pre-operating expenses are written off to the income statement when incurred.

4. TURNOVER AND REVENUES

The Group is principally engaged in radio trunking systems integration and provision of telemedia-related services. Revenues recognised are as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Turnover		
Technical service income		
Telemedia-related services	**6,230**	4,611
Sales of goods		
Radio trunking systems integration	**23,439**	26,768
Others		
Sales of personal digital assistant products	**–**	222
Consulting service income	**–**	292
	–	514
	29,669	31,893
Other revenues		
Interest income	**86**	194
Others	**1,342**	232
	1,428	426
Total revenues	**31,097**	32,319

5. SEGMENT INFORMATION

The Group carries out its activities mainly in the PRC. For management purposes, the Group is currently organised into two divisions – radio trunking systems integration and telemedia-related services. Others represented sales of personal digital assistant products and consulting service income. These divisions are the bases on which the Group reports its primary segment information. No geographical segment information is presented as secondary segment information as substantially all the Group's turnover and contribution to operating results were carried out in the PRC. An analysis of the Group's revenue and results for the year and segment assets by principal activity is as follows:

For the year ended 31 December 2002

	Group			
	Radio trunking systems integration	**Telemedia -related services**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
TURNOVER				
Revenue	23,439	6,230	–	29,669
RESULT				
Segment result	998	2,632	–	3,630
Other revenues				1,428
Unallocated corporate expenses				(7,632)
Loss from operations				(2,574)
Finance costs				(132)
Loss before taxation				(2,706)
Taxation				–
Loss after taxation				(2,706)
ASSETS				
Segment assets	29,885	5,539	–	35,424
Unallocated corporate assets				680
Consolidated total assets				36,104
LIABILITIES				
Segment liabilities	12,446	184	–	12,630
Unallocated corporate liabilities				4,068
Consolidated total liabilities				16,698
OTHER INFORMATION				
Capital expenditure	269	659	12	940
Depreciation and amortisation	814	339	287	1,440
Provision for bad and doubtful debts	2,117	–	–	2,117

5. SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2001

	Group			
	Radio trunking systems integration	Telemedia -related services	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER				
Revenue	26,768	4,611	514	31,893
RESULT				
Segment result	10,428	828	(813)	10,443
Other revenues				426
Unallocated corporate expenses				(13,330)
Provision for inventories and prepayments in relation to personal digital assistant business				(1,063)
Impairment of goodwill				(12,015)
Loss from operations				(15,539)
Finance costs				(216)
Loss before taxation				(15,755)
Taxation				(226)
Loss after taxation				(15,981)
ASSETS				
Segment assets	27,790	3,151	631	31,572
Unallocated corporate assets				21,737
Consolidated total assets				53,309
LIABILITIES				
Segment liabilities	9,772	343	–	10,115
Unallocated corporate liabilities				7,081
Consolidated total liabilities				17,196
OTHER INFORMATION				
Capital expenditure	293	721	799	1,813
Depreciation and amortisation	1,045	163	1,067	2,275
Provision for bad and doubtful debts	171	–	–	171

6. LOSS FROM OPERATIONS

Loss from operations is stated after crediting and charging the following:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Crediting		
Gain on disposal of fixed assets	**260**	99
Recovery of bad debts	**–**	612
Charging		
Auditors' remuneration	**400**	480
Cost of goods sold	**10,025**	10,739
Depreciation of fixed assets	**1,440**	1,775
Operating lease rental in respect of:		
– land and buildings	**1,642**	2,944
– motor vehicles	**632**	690
Net exchange loss	**(4)**	–
Amortisation of goodwill	**–**	500
Provision for bad and doubtful debts	**2,117**	171
Provision for slow-moving inventories, included in cost of goods sold above	**762**	517
Research and development costs	**2,132**	3,197
Staff costs, including directors' emoluments	**9,965**	9,906

7. FINANCE COSTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Interest on bank loans	**132**	216

8. TAXATION

The amount of taxation in the consolidated income statement represents:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current year *(Note (a))*	–	–
– underprovision in previous years	–	4
	–	4
Overseas taxation		
– current year *(Note (b))*	–	217
– underprovision in previous years	–	5
	–	222
	–	226

Note:

(a) No provision for Hong Kong profits tax is required since the Group has no assessable profit for the year.

(b) Overseas taxation represented tax charges on the assessable profits of certain subsidiaries operating in the PRC calculated at the applicable rates.

(c) No provision for deferred taxation has been made in the financial statements as the effect of timing differences is not material to the Group.

9. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders includes a loss of approximately HK$44,788,000 (2001: HK$8,964,000) which has been dealt with in the financial statements of the Company.

10. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2001: Nil).

11. LOSS PER SHARE

The calculation of loss per share is based on:

Loss	**2002**	2001
	HK$'000	*HK$'000*
Net loss attributable to shareholders used in the calculation of loss per share	**2,527**	16,118

Number of shares	**2002**	2001
Weighted average number of ordinary shares in issue during the year used in loss per share calculation	**565,378,630**	575,318,356

There is no dilution arising from the outstanding share options granted by the Company. Accordingly no diluted loss per share for the year is presented. There were no potential dilutive shares during the year ended 31 December 2002.

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	2002	2001
	HK$'000	*HK$'000*
Fees	**190**	65
Other emoluments		
– Basic salaries and allowances	**720**	1,355
– Retirement scheme contributions	**24**	38
	744	1,393
	934	1,458

One non-executive director appointed during the year received no emoluments for the year ended 31 December 2002.

Two independent non-executive directors received directors' fee of HK$120,000 (2001: Nil) and HK$70,000 (2001: Nil) respectively during the year.

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

The number of directors whose remuneration fell within the following band was as follows:

	2002	2001
Nil to HK$1,000,000	**4**	4

During the year ended 31 December 2001, two executive directors received individual emoluments of approximately HK$432,000 and HK$372,000 respectively. Two executive directors received no emoluments. Two directors resigned during the year 2001 received emoluments of approximately HK341,000 and HK$248,000 respectively.

Two executive directors received individual emoluments of approximately HK$432,000 and HK$312,000 respectively and two executive directors received no emoluments for the year ended 31 December 2002.

During the years ended 31 December 2001 and 2002, no emoluments have been paid by the Group to the directors as an inducement to join the Group or as compensation for loss of office.

In addition to the directors' emoluments disclosed above, 10,000,000 options were granted to an executive director in 2001 under the share option scheme as stated in note 25 to the financial statements.

No director waived or agreed to waive any of their emoluments for the year ended 31 December 2001. A director waived HK$60,000 of his emoluments for the year ended 31 December 2002.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2001: three) directors whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining three (2001: two) individuals during the year are as follows:

	2002 *HK$'000*	2001 *HK$'000*
Basic salaries, allowances and other benefits in kind	**850**	943
Mandatory provident fund contributions	**13**	22
	863	965

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Five highest paid individuals *(continued)*

The number of highest paid individuals whose remuneration fell within the following band was as follows:

	2002	2001
Nil to HK$1,000,000	3	2

During the years ended 31 December 2001 and 2002, no emoluments have been paid by the Group to the five highest paid individuals as an inducement to join the Group, or as compensation for loss of office.

13. FIXED ASSETS

(a) Group

	Land and buildings under long leases outside Hong Kong	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation							
At 1 January 2002	1,589	1,239	898	3,579	2,085	526	9,916
Additions	–	217	73	502	148	–	940
Disposals	(259)	(360)	–	(6)	(56)	–	(681)
At 31 December 2002	**1,330**	**1,096**	**971**	**4,075**	**2,177**	**526**	**10,175**
Accumulated depreciation							
At 1 January 2002	82	1,174	820	1,431	1,327	361	5,195
Charge for the year	61	75	76	653	501	74	1,440
Disposals	(54)	(360)	–	(2)	(52)	–	(468)
At 31 December 2002	**89**	**889**	**896**	**2,082**	**1,776**	**435**	**6,167**
Net book value							
At 31 December 2002	**1,241**	**207**	**75**	**1,993**	**401**	**91**	**4,008**
At 31 December 2001	1,507	65	78	2,148	758	165	4,721

13. FIXED ASSETS *(continued)*

(a) Group *(continued)*

The analysis of the cost or valuation of the above assets at 31 December 2002 is as follows:

	Land and buildings under long leases outside Hong Kong	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost	–	1,096	971	4,075	2,177	526	8,845
At valuation	1,330	–	–	–	–	–	1,330
	1,330	1,096	971	4,075	2,177	526	10,175

(b) Company

	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 January 2002	179	178	282	639
Additions	–	–	8	8
At 31 December 2002	**179**	**178**	**290**	**647**
Accumulated depreciation				
At 1 January 2002	179	41	109	329
Charge for the year	–	36	93	129
At 31 December 2002	**179**	**77**	**202**	**458**
Net book value				
At 31 December 2002	**–**	**101**	**88**	**189**
At 31 December 2001	–	137	173	310

13. FIXED ASSETS *(continued)*

(c) The Group's land and buildings under long leases outside Hong Kong were revalued at 31 May 2000 on the basis of open market value in existing use by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers. The surplus arising on revaluation has been credited to the revaluation reserve account. The revaluation does not constitute a timing difference for tax purposes.

(d) The carrying amount of the Group's land and buildings under long leases outside Hong Kong would have been approximately HK$1,020,000 (2001: HK$1,169,000) had it been stated at cost less accumulated depreciation.

(e) At 31 December 2002, the net book value of the Group's land and buildings under long leases outside Hong Kong pledged as security for banking facilities amounted to approximately HK$622,000 (2001: HK$1,507,000) (note 26).

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK$'000	*HK$'000*
Unlisted shares, at cost	**48,600**	48,600
Impairment losses	**(25,000)**	–
Loan to a subsidiary	**–**	28,616
Amounts due from subsidiaries *(Note (b))*	**5,299**	7,912
Amounts due to subsidiaries *(Note (b))*	**(1,929)**	(1,938)
	26,970	83,190

14. INVESTMENTS IN SUBSIDIARIES *(continued)*

Note:

(a) Details of the subsidiaries at 31 December 2002 are as follows:

Company	Place of incorporation	Issued and fully paid up capital	Attributable equity interest	Principal activities
Shares held directly:				
Neolink Communications Technology (BVI) Limited	British Virgin Islands	Ordinary US$50,000	100%	Investment holding
China Gocom Information (BVI) Limited (formerly known as Neolink Information Technology (BVI) Limited)	British Virgin Islands	Ordinary US$50,000	100%	Investment holding
China Gocom Internet (BVI) Limited (formerly known as Neolink Sky Internet (BVI) Limited)	British Virgin Islands	Ordinary US$50,000	100%	Investment holding
Neolink Wireless Technology Limited	Hong Kong	Ordinary HK$1,000,000	100%	Inactive
China Gocom (Holdings) Limited	Hong Kong	Ordinary HK$1,000,000	100%	Inactive
Shares held indirectly:				
Neolink Communications Technology Limited	Hong Kong	Ordinary HK$10,000	100%	Investment holding and marketing of radio trunking systems
China Gocom Information Limited	Hong Kong	Ordinary HK$10,000	100%	Investment holding
China Gocom Internet Limited	Hong Kong	Ordinary HK$10,000	100%	Investment holding

14. INVESTMENTS IN SUBSIDIARIES *(continued)*

Company	Place of incorporation	Issued and fully paid up capital	Attributable equity interest	Principal activities
Shares held indirectly:				
Beijing Neolink Information Technology Company Limited	PRC	US$300,000	100%	Trading of products relating to telemedia system and provision of relevant and related technical services
Beijing Neolink Sky Internet Technology Company Limited	PRC	US$300,000	100%	Inactive
Hangzhou Neolink Communication Equipment Company Limited	PRC	US$290,000	80%	Design, production and sales of radio trunking systems
Neolink Electronic Technology (Beijing) Company Limited	PRC	US$200,000	100%	Marketing of radio trunking systems
Neolink Huadian Electronic Technology (Shenzhen) Company Limited	PRC	US$500,000	100%	Sales of radio trunking systems, related hardware and software
Neolink Communications Technology (Hangzhou) Limited	PRC	HK$1,500,000	100%	Development of telecommunication software and provision of related technical services

(b) Amounts due from/(to) subsidiaries are unsecured, interest-free and are not repayable within the next twelve months.

15. NON-TRADING SECURITIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Equity security, at cost		
Unlisted investment	–	14,950

Details of investment at 31 December 2002 are as follow:

Company	**Place of incorporation**	**Interest**	**Percentage holding 2002**	**Percentage holding 2001**	**Nature of business**
Shenzhen Max Com Industrial Development Company Limited ("Shenzhen Max Com")	PRC	Equity	–	55%	Provision of telecom base station equipment

In 2001, Shenzhen Neolink signed a sale and purchase agreement to acquire equity interest in Shenzhen Max Com. The aggregate consideration for the acquisition of the equity interest was approximately HK$14,950,000.

On 1 November 2002, Shenzhen Neolink, the Company, Shenzhen Max Com and an independent third party entered into a conditional termination agreement for the termination of the acquisition of equity interest in Shenzhen Max Com.

During the year, the conditions preceded to the conditional termination agreement had been satisfied and the Company had proceeded with the completion of the conditional termination agreement.

Further details have been disclosed in the announcement issued by the Company on 6 November 2002 and 3 December 2002 respectively.

16. GOODWILL

	Group	
	2002	2001
	HK$'000	*HK$'000*
At 1 January	**–**	–
Additions during year	**–**	12,515
Amortisation for the year	**–**	(500)
Impairment loss	**–**	(12,015)
At 31 December	**–**	–

17. INVENTORIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Raw materials	**2,696**	3,277
Work in progress	**567**	837
Finished goods	**2,140**	1,207
Less: Provision	**(837)**	(1,747)
	4,566	3,574

At 31 December 2001 and 2002 the inventories are stated at cost less provision for obsolescence.

18. TRADE RECEIVABLES

The Group has a policy of allowing its trade customers with credit period normally ranging from 45 days to 60 days or according to the terms of the sales contracts. The ageing analysis of trade receivables is as follows:

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
0 to 30 days	**1,882**	878	**–**	–
31 to 60 days	**1,312**	794	**–**	–
61 to 90 days	**–**	206	**–**	–
91 to 120 days	**–**	947	**–**	–
Over 120 days	**3,013**	8,033	**–**	–
	6,207	10,858	**–**	–

19. AMOUNTS DUE FROM RELATED COMPANIES – GROUP

The amounts due from related companies represent trade receivables from Haoyuan Yingte and Baotong. The amount due from Baotong is unsecured, interest-free and with no fixed terms of repayment. The amount due from Haoyuan Yingte is unsecured, interest-free and is subject to a credit period of 45 days after the end of each quarter.

20. BANK AND CASH BALANCES – GROUP

Included in the bank and cash balances of the Group of approximately HK$4,232,000 (2001: HK$3,567,000) were denominated in Chinese Renminbi, a currency which is not freely convertible into other currencies.

21. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Group		**Company**	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
0 to 30 days	**1,539**	1,727	**–**	–
31 to 60 days	**82**	412	**–**	–
61 to 90 days	**645**	65	**–**	–
91 to 120 days	**53**	459	**–**	–
Over 120 days	**2,450**	1,003	**–**	–
	4,769	3,666	**–**	–

All the trade payables are expected to be settled within one year.

22. AMOUNT DUE TO ULTIMATE HOLDING COMPANY – GROUP AND COMPANY

The amount due to ultimate holding company is unsecured, interest-free and with no fixed terms of repayment.

23. AMOUNTS DUE TO RELATED COMPANIES – GROUP

The amounts due to related companies represent temporary cash advance to the Group from Shenzhen Communication and consultancy fee payable to Qing Jiang HK. The amounts are unsecured, interest-free and with no fixed terms of repayment.

24. SECURED BANK LOANS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Wholly repayable within one year	**2,804**	2,897

The bank loans are interest bearing at prevailing market rates and are secured by a legal charge on certain land and buildings under long leases outside Hong Kong of the Group with net book value of approximately HK$622,000 (2001: HK$1,507,000), corporate guarantee provided by the Group and the Group's US dollars deposit of nil (2001: HK$1,560,000).

25. SHARE CAPITAL

	2002		2001	
	Number of shares	**Nominal value**	Number of shares	Nominal value
		HK$		*HK$*
Authorised:				
Ordinary shares of HK$0.10 each	**1,000,000,000**	**100,000,000**	1,000,000,000	100,000,000
Issued and fully paid:				
At 1 January	**578,800,000**	**57,880,000**	560,000,000	56,000,000
Issue of shares	**–**	**–**	18,800,000	1,880,000
Shares repurchased and cancelled *(Note (a))*	**(14,800,000)**	**(1,480,000)**	–	–
At 31 December	**564,000,000**	**56,400,000**	578,800,000	57,880,000

Note:

(a) On 30 January 2001 the Company's wholly own subsidiary, Shenzhen Neolink, signed a sale and purchase agreement with an independent third party ("the Vendor") to acquire equity interest in Shenzhen Max Com. The acquisition was satisfied by issuing 14,800,000 ordinary shares of the Company and cash consideration to the Vendor.

On 1 November 2002, the Company, Shenzhen Neolink, Shenzhen Max Com and the Vendor entered into a conditional termination agreement for termination of the sale and purchase agreement as described in the preceding paragraph, pursuant to which the Vendor agreed to sell and the Company agreed to purchase from the Vendor 14,800,000 ordinary shares representing approximately 2.56% of the existing issued share capital of the Company from the Vendor at a nominal total cash consideration of HK$1.

On 28 November 2002, the Company repurchased 14,800,000 ordinary shares representing approximately 2.56% of the existing issued share capital of the Company from the Vendor at a nominal total cash consideration of HK$1 and all of these shares have then been cancelled. Further details have been disclosed in the announcement issued by the Company on 6 November 2002 and 3 December 2002 respectively.

25. SHARE CAPITAL *(continued)*

(b) Pursuant to the share option scheme of the Company adopted on 13 July 2000, the executive directors may, at their discretion, grant options to the directors and the full-time employees of the Group entitling them to subscribe for shares of the Company at an exercise price of HK$0.72 each. A nominal consideration at HK$1 should be paid by the employees for each lot of share options granted.

On 5 January 2001, share options were granted to an executive director and certain employees of the Group. Details of the share options granted pursuant to the share option scheme are as follows:

Date of grant	Exercise price *HK$*	Exercisable period	Number of options
Executive director 5 January 2001	0.72	5 January 2004 to 4 January 2008	10,000,000
Employees 5 January 2001	0.72	5 January 2004 to 4 January 2008	20,000,000

At 31 December 2002, there were 30,000,000 (2001: 30,000,000) outstanding options granted under the share option scheme as stated above.

(c) Movements in the number of options outstanding during the year are as follows:

	Number of options	
	2002	2001
At 1 January	**30,000,000**	–
Granted	**–**	30,000,000
Exercised	**–**	–
Lapsed	**–**	–
At 31 December	**30,000,000**	30,000,000

26. BANKING FACILITIES

At 31 December 2002, the Group's banking facilities of approximately HK$3,364,000 (2001: HK$2,900,000) were secured by the following:

(a) legal charge on certain land and buildings under long leases outside Hong Kong of the Group; and

(b) corporate guarantee provided by the Group.

27. LEASE COMMITMENTS – GROUP

At 31 December 2002, the total future minimum lease payments under non-cancellable operating leases for the land and buildings and motor vehicles are payable as follows:

	2002		2001	
	Land and buildings	**Motor vehicles**	Land and buildings	Motor vehicles
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Within one year	**789**	**–**	791	638
In the second to fifth years inclusive	**120**	**–**	2,871	–
	909	**–**	3,662	638

28. RETIREMENT BENEFIT COSTS

The Group has implemented a mandatory provident fund scheme for its staff in compliance with the requirements of the Mandatory Provident Fund Schemes Ordinance effective from 1 December 2000. The pension scheme contributions charged to income statement represent contributions payable (i.e. 5% of staff's relevant income with upper monthly limit of HK$1,000) by the Group to the specified retirement fund of the eligible individual employees. The Group's contribution to the scheme charged to income statement was approximately HK$46,000 (2001: HK$75,000) for the year.

The subsidiaries operating in the PRC are required to participate in defined contribution retirement schemes, organised by relevant local government authorities for the staff in the PRC. The subsidiaries are required to make contributions to the retirement schemes, at a rate of 20% to 23% of the basic salary of their employees in the PRC.

The Group's total contributions paid for the above schemes during the year are approximately HK$384,000 (2001: HK$466,000).

29. RELATED PARTY TRANSACTIONS

In the normal course of business the Group entered into the following significant transactions with its related parties during the year:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Sales of equipment and provision of technical services to		
– Baotong *(Note (a))*	**10,534**	12,231
– Haoyuan Yingte *(Note (a))*	**6,220**	4,611
Rental payable to Edison Radio Limited ("Edison") *(Note (b))*	**200**	401
Loan interest paid to Shenzhen Hubei Building Limited-Qing Jiang Hotel ("Qing Jiang Hotel") *(Note (c))*	**26**	–
Loan waived by Edison *(Note (b))*	**270**	–
Consultancy fee paid to Qing Jiang HK *(Note (c))*	**180**	–

Note:

(a) Baotong and Haoyuan Yingte are indirectly owned by the relatives of Mr. Cai Zuping, a director of the Company.

(b) Mr. Cai Zuping, a director of the Company, is a director of Edison.

(c) Hubei Qing Jiang is a beneficiary shareholder of Qing Jiang Hotel and Qing Jiang HK.

30. POST BALANCE SHEET EVENTS

There were no significant matters which occurred since the balance sheet date to the date of these financial statements and which have had or may have a material effect on the financial position of the Group at 31 December 2002 or the Group's results for the year then ended.

31. ULTIMATE HOLDING COMPANY

The directors regard Infonet, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 29 to 63 were approved by the board of directors on 25 March 2003.

Financial Summary

	For the year ended 31 December				
	2002	2001	2000	1999	1998
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Turnover	**29,669**	31,893	19,988	22,787	20,308
(Loss)/profit from operations	**(2,574)**	(15,539)	(8,280)	5,390	9,671
Finance costs	**(132)**	(216)	(101)	(97)	(92)
Share of results of associates	**–**	–	–	–	320
(Loss)/profit before taxation	**(2,706)**	(15,755)	(8,381)	5,293	9,899
Taxation	**–**	(226)	(6)	(118)	(76)
(Loss)/profit from ordinary activity before minority interests	**(2,706)**	(15,981)	(8,387)	5,175	9,823
Minority interests	**179**	(137)	391	(15)	141
(Loss)/profit attributable to shareholders	**(2,527)**	(16,118)	(7,996)	5,160	9,964
Assets and liabilities					
Total assets	**36,104**	53,309	41,726	19,035	14,800
Total liabilities	**(16,698)**	(17,196)	(9,182)	(9,439)	(8,364)
Minority interests	**42**	(137)	–	391	–
Shareholders' funds	**19,448**	35,976	32,544	9,987	6,436

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Neolink Cyber Technology (Holding) Limited (the "Company") will be held at Room 2811, 28th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on 28 April 2003 (Monday) at 3:00 p.m. for the following purposes:

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

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

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

4. as special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as an ordinary resolutions:

   "**THAT**:

   (a) subject to paragraph (c) of this resolution, and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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 additional 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) of this resolution 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 (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); (ii) the exercise of warrants to subscribe for shares of the Company or the exercise of options granted under any ordinary share option scheme adopted by the Company, or (iii) an issue of shares of the Company in lieu of whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and this 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 earliest of:

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

(2) 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 of the Cayman Islands to be held; and

(3) the date on which the authority given under this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the Company or the directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions 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, any recognized regulatory body or any stock exchange in any territory outside Hong Kong)";

5. as special business, to consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"**THAT**:

(a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period (as defined below) of all powers of the Company to repurchase issued shares in the capital of the Company on GEM or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, subject to and in connection with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on GEM or of any other stock exchange as amended from time to time, be and the same is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company which may be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing 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 the earliest of:

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

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company, or any other applicable law of 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";

6. as special business, to consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"**THAT** conditional upon resolutions Nos. 4 and 5 set out in the notice convening this meeting being duly passed, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot and issue shares pursuant to resolution No. 4 set out in the notice convening this meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted or agreed conditionally or unconditionally to be allotted and issued by the directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution No. 5 set out in the notice convening this meeting, provided that such an amount shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution."

By Order of the Board
MAK WING KIT
Company Secretary

Hong Kong, 25 March 2003

Registered Office:
Zephyr House
Mary Street
P. O. Box 2681GT
George Town
Grand Cayman
British West Indies

Principal Place of Business:
Room 2811, 28th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a person or persons as his proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a shareholder of the Company.

Notice of Annual General Meeting

2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's share registrar, Abacus Share Registrars Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting, and in default thereof the form of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date of its execution.

3. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting, and in such event the instrument appointing a proxy shall be deemed to be revoked.

4. An explanatory statement containing further details regarding ordinary resolutions nos. 4 to 6 as required by the Rules Governing the Listing of Securities on GEM will be dispatched to the members of the Company together with the annual report of the Company for the year ended 31 December 2002.