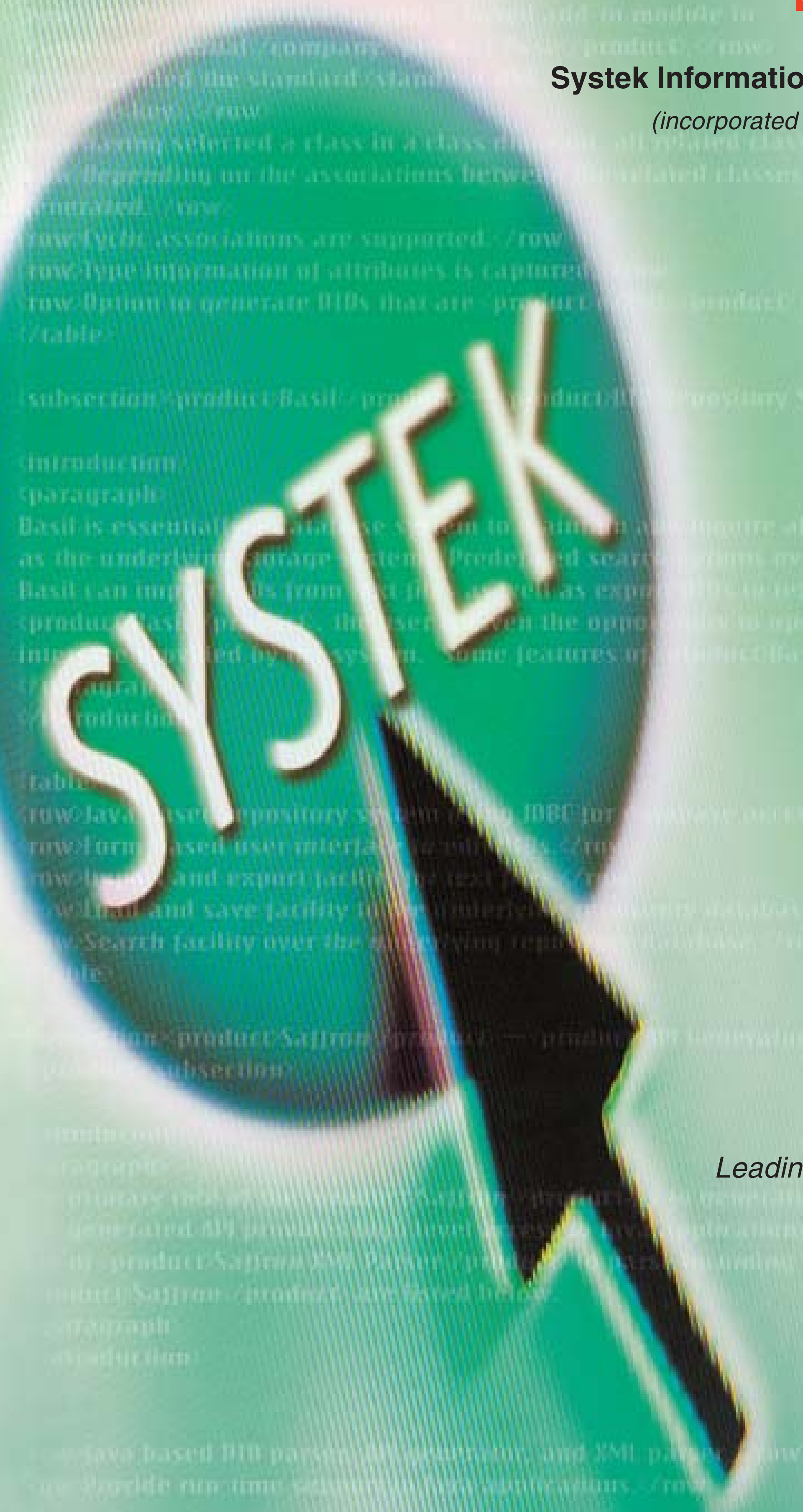
SYSTEK **Information Technology**

Systek Information Technology (Holdings) Limited

(incorporated in the Cayman Islands with limited liability)



Annual Report 2003

Leading the way in e-Business Innovations

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

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

Given the emerging nature of companies listed on the GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on the GEM.

The principal means of information dissemination on the 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 the GEM-listed issuers.

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This document, for which the directors of Systek Information Technology (Holdings) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of given information with regard to Systek Information Technology (Holdings) Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this document 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 document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. To, Cho Kei *(Chairman)*
Mr. Chan, Kai Yan
Dr. Chan, Kim Chung
Mr. Lam, Ching Ho Andy
Mr. Wu, Man Hong, Francis
Mr. Lo Chun Shing (alternate to Mr. Lam, Ching Ho Andy)

NON-EXECUTIVE DIRECTOR

Mr. Wu, Yang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ching, Tai Ming David
Dr. Wong, Albert

COMPANY SECRETARY

Ms. To, Christine Chiwun-Caritas,
Member of New York State Bar

QUALIFIED ACCOUNTANT

Ms. Wong, Wai Yu, *AHKSA, FCCA*

COMPLIANCE OFFICER

Mr. Chan, Kai Yan

AUTHORISED REPRESENTATIVES

Dr. Chan, Kim Chung
Ms. To, Christine Chiwun-Caritas
Member of New York State Bar

AUDIT COMMITTEE

Mr. Ching, Tai Ming David
Dr. Wong, Albert

SPONSOR

Core Pacific-Yamaichi Capital Limited
(Sponsor agreement expired on 31 March 2003)
36th Floor
Cosco Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

AUDITORS

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL OFFICE IN HONG KONG

Suite 2514-2523
25th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

LEGAL ADVISER

Morrison & Foerster, Solicitors & International Lawyers

PRINCIPAL BANKERS

Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

08103

WEBSITE

www.systekit.com.hk

Chairman's Statement

2002 was a challenging year for the Group but with challenge comes changes. We had been facing with plummeted IT spending environment among the customers, increasing competition, narrowing profit margin and ineffective internal spending model. But, we had to made necessary changes to enable us to confront with these challenges, to fight for our presence in tough times and to be well positioned for future growth in eventual market recovery.

BUSINESS REVIEW

One of our first, and most urgent needs was to rapidly align our spending structure with the realities of a more difficult revenue environment. We then made the very painful, but unfortunately necessary, decision to implement a large-scale cost restructuring. These measures included reducing headcounts, consolidating offices and spending less on discretionary items like travel, marketing and research and development. The office space occupied by the Group was reduced by 40% and the size of the Group's workforce which had resulted in a saving of 40% in monetary terms. The redundant staff were either redeployed by seconding to customer accounts to earn revenue or laid off. This downsize from 202 to 132 employees was done not only in Hong Kong but also the other offices in the PRC resulting in the reduction of approximately 50% of staff during the year. These measures had contributed to the decrease in the Group's general and administrative expenses by 30%.

However, it was apparent that the Group's across-the-board cost cutting actions including the reduction of work space, salaries reduction, productivity improvements, reduction or redeployment of workforce, as well as simplification of reporting lines, were unable to fully absorb the narrow margin impact and now we must face more extreme measures to combat the effects of the pressure of the deteriorating market. It was foreseeable that further redeployment/reduction of workforce and the reduction of salaries would be ongoing. The Group would also attempt to divert current resources into higher margin business and strive for more productivity gain and to make more efficient use of resources. Subsequent to the Iraqi war and the SARS fiasco both broke out in the fourth quarter, the overall business downturn caused the Group's performance to fall short of the original expectation of recovery in the forth quarter and the coming year.

FINANCIAL HIGHLIGHTS

	For the year ended	
	31 March 2003	31 March 2002
	HK$'000	HK$'000
Turnover	**37,698**	35,292
Cost of Services and Merchandise Sold	**(25,490)**	(21,724)
Gross Profit	**12,208**	13,568
General Administrative Expenses	**(25,692)**	(36,589)
Loss from Operations	**(56,854)**	(54,130)
Loss Attributable to Shareholders	**(56,829)**	(54,153)
Basic Loss per Share	**(5.48 HK cents)**	(5.23 HK cents)

BUSINESS OUTLOOK

The Group had maintained its turnover in a relatively steady level in face of the depressed environment in the local information technology industry and slow recovery in economy in the last two years. Business remained tough with ever thinning margin and increasingly competitive. One of the subsidiaries of the Group was granted a HK$9 million contract from the Hong Kong Government in the fourth quarter, it was expected that the turnover in the forthcoming year would have the potential to improve. However, there was no assurance that the Group would be able to maintain its gross profit to a satisfactory level when the Group was adversely affected by intense price competition throughout the industry.

The Group had also been expanding its existing distribution channels in North America, Europe, Northern China and new distribution networks had been set up to include Southern China.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 March 2003, the Group recorded a turnover of HK$37.7 million (2002: HK$35.3 million). The loss attributable to the shareholders amounted to HK$56.8 million (2002: HK$54.2 million). Part of the current year loss is attributed by an impairment loss on capitalised research and development costs.

Liquidity and Financial Resources

As at 31 March 2003, shareholders' funds of the Group amounted to approximately HK$5.4 million (2002: HK$61.1 million). Current assets amounted to approximately HK$11.3 million (2002: HK$32.0 million), of which approximately HK$2.1 million (2002: HK$13.6 million) were cash and cash equivalents. Current liabilities were approximately HK$10.3 million (2002: HK$10.1 million) mainly comprised other payables and accruals.

The Group currently has not engaged in any borrowing activities except for lines of credit which are fully pledged in cash. The Group further confirms that it does not have any impending capital expenditure commitments.

The gearing ratio calculated on the basis of total liabilities over the total shareholders' fund as at 31 March 2003 was 190.2% (2002: 16.6%).

Capital Structure

There has been no change to the share capital of the Company during the year ended 31 March 2003, amounted to HK$104 million (2002: HK$104 million). The Group did not use any debt and/or capital instruments during the year under review.

Foreign Currency Exposure

During the year ended 31 March 2003, the Group experienced only immaterial exchange rate fluctuations as the functional currencies of the Group's operations are mainly Hong Kong dollars and Renminbi ("RMB"). As the risk on exchange rate differences is considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

New Products and Services

The information technology market is characterized by rapidly changing technologies, evolving industry standards, frequent new platform and application launch and ever-changing customer requirements. The introduction of products embodying new technologies and emerging new industry standards and practices can render current products obsolete and unmarketable. The Group's future direction will depend on its ability to enhance its products and to develop and introduce, on a timely and cost-effective basis, new products and product features that keep pace with business features, technological developments, and emerging industry standards to address the increasingly sophisticated needs of its customers.

Significant Investments, Acquisitions or Disposals of Subsidiaries

During the year ended 31 March 2003, the Group had no significant investments held and had not made acquisitions or disposals of subsidiaries.

Future Plans for Material Investment

As at 31 March 2003, the Group had no future plans for material investment.

Segmental Information

The Group is principally engaged in four business segments mainly in Hong Kong and the other regions of the PRC. The Group presents its segmental information based on the nature of the products and services provided.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format. The Group reports its businesses in four business segments namely:

- Systems development: Provision of systems development, maintenance and installation as well as consulting services.
- Software and hardware products: Sales of computer software and hardware products.
- Professional services: Provision of IT engineering and technical support services.
- Training: Provision of training courses.

In respect to the business segments, the Group continues to focus on systems development and professional services. Activity under software and hardware products has decreased in view of declining contributions to the overall revenue.

With respect to geographical segments, there was a decrease during the year under review. Turnover generated from the PRC represented approximately 9.5% of the total turnover of the Group during the year ended 31 March 2003 as compared to approximately 9.9% in the previous year under review. It is expected that the level of the Group's activities in the PRC will remain stable in future.

Employees and Remuneration Policies

As at 31 March 2003, the Group had hired 132 (2002: 202) employees including the executive directors of the Company. Total staff costs including directors' remuneration for the year under review amounting to approximately HK$40.3 million (2002: HK$64.5 million). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees. The Group also provides mandatory provident fund scheme and medical scheme for its employees and executive directors.

The Group has not made any changes to its remuneration policy and no bonuses were granted to any of its executive directors or employees for the year ended 31 March 2003.

During the year, directors' remuneration of HK$0.5 million (2002: Nil) was waived.

On 26 August 2000, the Company has conditionally adopted a share option scheme ("Share Option Scheme") pursuant to which the executive directors and full-time employees of the Company and its subsidiaries may be granted options to subscribe for shares of the Company. No option was granted since the inception of the Share Option Scheme.

Charges on Group's assets and contingent liabilities

As at 31 March 2003, the Group was granted banking facilities for an amount of HK$0.5 million secured with pledged deposits of HK$0.5 million with banks. The banking facilities utilized was the bank guarantees to the customers of the Group.

Save as disclosed above, the Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding during the year under review.

PROSPECTS

The Group's services and products provided are largely discretionary in nature and its customers can temporarily postpone purchases. To help diversify its customer base and sales prospects, the Group has been aggressively expanding its international distribution capabilities since last year. The Group will continue to provide the customers with quality, efficient and cost-effective solutions and products even in face of the thin margin.

Through the painful cost rationalization process, we have reacted and made changes necessary to strengthen our organization and prepare us for future success. And importantly, we retain a team of experience, talented employees who can successfully operate at a lower break-even turnover and provide a solid base for growth as the market rebounds.

On behalf of the Board

To Cho Kei
Chairman

Hong Kong, 27 June 2003

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business Objectives as stated in the prospectus dated 4 September 2000	Actual business progress in respect of the twelve months ending 31 March 2003
(a) Product Enhancement and Development	
Financial Technology Unit	
• Launch WinVest Releases 5.0 and 5.5 in the six months ended 30 September 2002 (the "First 6 Months") and the six months ended 31 March 2003 (the "Second 6 Months") respectively to local and overseas markets, including the Asia Pacific region, Europe and North America, and develop Releases 5.5 in the First 6 Months and 6.0 in the Second 6 Months respectively.	• Due to the sluggish securities market, the launch of WinVest Releases 5.0 and 5.5 and the development of Releases 5.5 and 6.0 were postponed.
• Continue to develop WAP applications and, if applicable, implement additional WAP functions for WinVest	• Implementation of WAP applications has been temporarily halted in response to the current economic conditions and lack of market demand.
• Launch BIX Release 3.0 to local market and design Release 4.0 in the First 6 Months, and launch BIX Release 3.0 to overseas markets, including the Asia Pacific region, Europe and North America and continue to develop Release 4.0 in the Second 6 Months	• The launch of BIX Release 3.0 is still limited to the local market and the development of Release 4.0 has been postponed till Release 3.0 is widely accepted by the local market.
Internet Interactive Technology Unit	
• Design, develop and launch ezConnect Release 4.0 and develop additional applications	• The launch of ezConnect Release 4.0 and the respective enhancement activities are pending due to sluggish market demand for internet software.
• Continue the development of additional ezXML products and launch to the market when appropriate	• ezXML has been launched to the local market. The development of additional features will be postponed till the product receives wide market acceptance.
• Launch the knowledge management application products when appropriate and continue the development and enhancement.	• The information technology industry comes across a downturn when the Group starts the design of knowledge management application products. Therefore, the resources have been re-allocated to other profit generating activities.

Business Objectives as stated in the prospectus dated 4 September 2000	Actual business progress in respect of the twelve months ending 31 March 2003
• Initiate the design of another knowledge management application	• Due to the Group's across the board cost cutting action with the total workforce reduced by 50%, less resources were allocated to research and development projects but to other profit generating activities.
Internet and Messaging Security Unit	• Naming Convention was also redefined to reduce customer audit overhead.
• Launch additional applications for SecurTrac Release 4.0 and develop Release 4.5 in the First 6 Months and launch SecurTrac Release 4.5 and develop additional applications in the Second 6 Months respectively	• The launch of new SecurTrac Releases 4.0 and 4.5 will be on hold. Resources will be used on improving the current version for bettering the performance of the product.
• Develop other security software products, if applicable	• For the purpose of better utilization of the Group's resources, the development of other security software products is postponed in order to focus on improving new features and bettering the performance of the existing security software product.
(b) Provision of e-Business Innovation Services	
• Design and launch Internet portals for the clients	• In face of the market downturn and the change of business plan of the client, resources have been re-allocated to other profit generating activities.
• Enhance and implement additional applications for the global intranet system of a major client	• In face of the market downturn and the change of business plan of the client, resources have been re-allocated to other profit generating activities.
• Implement Internet interactive centres for the clients	• In face of the market downturn and the change of business plan of the client, resources have been re-allocated to other profit generating activities.

Business Objectives as stated in the prospectus dated 4 September 2000	Actual business progress in respect of the twelve months ending 31 March 2003
(c) Marketing and Distribution	
• Negotiate with software vendors on the terms of standard software packages for new releases of software products	• Negotiations are on-going as normal business activities.
• Promote sales of software products through the network of software vendors, distributors and resellers	• The reseller network has been extended to Southern China.
• Promote new releases of software products through marketing tours, advertising on IT magazines and participation in IT conferences and trade shows	• Development of most of the new releases are pending. The Company still participates in IT conferences and trade shows for the purposes of promoting the popularity and generating sales of the existing software products.
• Evaluate the results of the campaign regularly and adjust the brand building strategy accordingly	• The Company keeps evaluating the results of the marketing activities in order to adjust the marketing plan to maximize its effectiveness.
• Establish additional overseas sales and support centers, when necessary	• The Company has been actively seeking business opportunities in both Northern China and Southern China.
• Sponsor user group activities at IT conferences and trade shows	• Sponsor will be made to endorse IT conferences and trade shows with high rate of participation.
(d) Corporate Development and Strategic Alliance	
• Expand the operations of the commercialisation centre, when necessary	• In face of sluggish economy, the operations of commercialisation center will not expand but will maintain its existing operations.
• Establish and commence operations of the subsidiary in the US, if applicable	• The establishment of U.S. subsidiary has been suspended due to the high investment costs in the Bay area of California, U.S.A. The Group has instead established an agency operation in Canada to replace U.S.A. as the base for sales and marketing in North America.

Business Objective Review

Business Objectives as stated in the prospectus dated 4 September 2000	Actual business progress in respect of the twelve months ending 31 March 2003
• Expand and enhance the Internet interactive centres in Hong Kong, Beijing and Shanghai, when necessary	• Due to the lack of market demands, the expansion has been suspended.
• Initiate and continue the co-operations and research and development projects with the universities in the PRC	• Research and development program has been cut back because of the sluggish economy.
• Expand the business of Internet portal and ASP services if applicable	• The profitability on the business of Internet portal and ASP services are non-existent due to the keen competition. The operation is therefore suspended.
• Identify potential IT companies with product synergy for acquisition or alliance	• The acquisition and alliance activities are suspended due to the poor performance of the IT industry over the past two years.

USE OF PROCEEDS

As stated in the prospectus issued by the Company on 4 September 2000, the Group was expected to use a total of HK$100.2 million for the following activities: HK$50.0 million for product research and development, HK$35.0 million for strategic investment and HK$15.2 million for marketing. Up to 31 March 2003, the amount spent on the aforementioned categories was HK$81.9 million, HK$8.8 million and HK$9.5 million respectively.

Directors And Senior Management Profile

EXECUTIVE DIRECTORS

Mr. To, Cho Kei, aged 56, is Chairman, an Executive Director, Chief Executive Officer and founder of the Company. Mr. To has over 25 years of experience in management, strategic planning, IT planning and industrial management. Before founding the Group, Mr. To was a senior lecturer at the Hong Kong Polytechnic University. Prior to that, Mr. To was responsible for strategic planning and IT planning at the Bank of Nova Scotia in Toronto, Canada. Mr. To has been responsible for the Group's overall vision, business strategy, product development and management since its inception. Mr. To holds a Bachelor of Science degree in Mathematics from the University of Wisconsin, USA and a Master of Science degree in Computer and Information Science from the Ohio State University, USA.

Mr. Chan, Kai Yan, aged 40, is an Executive Director, Senior Vice President, Chief of Staff and Compliance Officer of the Company. Prior to joining the Group in 1989, Mr. Chan was a Systems Analyst with Nomura Research Institute Hong Kong Limited. Mr. Chan holds a Master of Business Administration degree from the City University of Hong Kong.

Dr. Chan, Kim Chung, aged 40, is an Executive Director and Chief Technology Officer of the Company. Dr. Chan joined the Group in October 1998 and is responsible for research and development. Prior to joining the Group, Dr. Chan worked for the French National Research Institute for Computer Science and Control. He is a Chartered Engineer of the Engineering Council of the UK and serves on the Advisory Committee of the World Wide Web Consortium ("W3C"), an international organization governing the development of Internet-related international standards and technologies. Dr. Chan held a Marie Curie Fellowship awarded by the European Union and a Royal Society Fellowship awarded by the Royal Society of the UK. He holds a Bachelor of Arts degree in Computing and Mathematics, a Master of Science degree in Information Technology and a Doctor of Philosophy degree in Computing Science from the Glasgow University, UK.

Mr. Lam, Ching-Ho Andy, aged 53, is an Executive Director and Senior Vice President of Program and Quality Management of the Company. Mr. Lam has over 20 years of IT experience, prior to joining the Group in December 1999, Mr. Lam holds a Bachelor of Science degree in Computer Science from the University of Oregon, USA, and a Master of Commerce degree in Information Systems from the University of New South Wales, Australia.

Mr. Wu, Man Hong Francis, aged 35, is an Executive Director and Chief Solution Architect of the Company. He joined the Group in 1990. Mr. Wu received his Bachelor of Science degree in Computing Studies from the Hong Kong Polytechnic University.

Mr. Lo, Chun Shing, aged 39, is an alternate Executive Director to Mr. Lam Ching Ho, Andy and Vice President of the Company. He joined the Group in 1998. Mr. Lo has over 15 years of IT experience. Mr. Lo holds a Bachelor of Science degree in Applied Computing, and a Master of Business Administration degree from The Open University of Hong Kong.

NON-EXECUTIVE DIRECTORS

Mr. Wu, Yang, aged 36, is a Non-executive Director of the Company. Mr. Wu is the Managing Director of Shanghai Sundial Investment Management Co. Ltd. Mr. Wu received his Master of Business Administration degree from the Wharton School of Business at the University of Pennsylvania, USA, and his Bachelor of Business Administration degree in Finance from the University of Houston, USA. He was appointed on 17 May 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ching, Tai Ming David, aged 50, is an Independent Non-executive Director of the Company. Mr. Ching is the Senior Vice President and Chief Information Officer of Safeway Inc., USA, one of the largest food and drug retailers in North America. Prior to joining Safeway Inc., Mr. Ching was the General Manager of the British American Consulting Group and was a Senior Vice President of Information Systems of Lucky Stores Inc., USA. Mr. Ching holds a Bachelor of Science degree in Electrical Engineering from the University of Wisconsin, the USA, a Master of Science degree from the University of California at Berkely, USA, and a Master of Science degree in Management Science from Stanford University, USA. He was appointed on 27 May 2002.

Dr. Albert Wong, aged 54, is an Independent Non-executive Director of the Company. Dr. Wong received his doctorate in Pharmaceutics in 1980 from the University of Wisconsin. During his tenure in the USA, he was a senior scientist at Eli Lilly and Syntex where he developed a number of novel pharmaceutical and cosmetic products and was granted several patents for his inventions. Dr. Wong returned to Hong Kong in 1995 and has been an advocate for the modernization of Chinese medicine in the past 5 years. He is the founder and president of The Modernized Chinese Medicine International Association ("MCMIA"), a dynamic industry and professional association that promotes the establishment of a Quality Assured Trading Centre of Chinese medicine for Hong Kong. Dr. Wong later founded Medicon, a pharmaceutical consulting firm and is currently associated with PAC BioSciences Consultants Limited. He specializes in the commercialization of Chinese and western pharmaceutical products and nutraceuticals in international market through investments, distribution arrangements and technology transfers. He recently founded a new company, Zigen Pharmaceutical Ltd. that specializes in the introduction of premium quality Chinese medicines to US markets. Dr. Wong is also one of the members of the Vetting Committee, Innovation and Technology Fund (Biotechnology Projects), Innovation and Technology Commission, HKSAR. Dr. Wong was appointed to the Board on 30 November 2002.

SENIOR MANAGEMENT

Mr. Chung, Oi Lun, aged 40, is the Senior Manager of the Company. Prior to joining the Group in 1993, Mr. Chung was a Senior Systems Analyst with Guardian Royal Exchange (Asia) Limited. He received a Master of Business Administration degree from the City University of Hong Kong.

Ms. To, Christine Chiwun-Caritas, aged 35, is the Company Secretary and Corporate Counsel of the Company. Ms. To brought her experience to the Group as Corporate Counsel and Manager of Corporate Operations in 1996. Ms. To's responsibilities encompass legal, human resources and corporate operations. Ms. To holds a Bachelor of Arts degree in English and Anthropology from Oberlin College, Ohio, USA and a Juris Doctorate degree from Valparaiso University School of Law, Indiana, USA. Ms. To is a member of the New York State Bar.

Report of the Directors

The board of directors (the "Directors") hereby present their report together with the audited financial statements of Systek Information Technology (Holdings) Limited ("the Company") and its subsidiaries (together the "Group") for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 13 to the financial statements.

The Group's turnover for the year is principally attributable to systems development, sales of software and hardware products as well as provisions of professional services, training and technical support services. An analysis of the turnover from the principal activities of the Company and its subsidiaries during the year is set out in note 2 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	20%	–
Five largest customers in aggregate	53%	–
The largest supplier	–	18%
Five largest suppliers in aggregate	–	53%

At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 March 2003 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 24 to 56.

DIVIDENDS

The Directors do not recommend the payment of any final dividend for the year ended 31 March 2003.

FIXED ASSETS

Details of the movements in fixed assets of the Group during the year are set out in note 12 to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in note 24 to the financial statements.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes for the year ended 31 March 2003 are set out in note 26 to the financial statements.

LITIGATION

As published in the Group's 2002 annual report for a labour dispute instigated by a former employee of one of the Group's subsidiaries claiming HK$9,522,400 (inclusive of interest and cost) was transferred from the Labour Tribunal to the High Court during the period under review. The action was settled on 5 March 2003 following the filing of a consent order with the High Court. Details of the settlement are set out in note 4(c) to the financial statements.

DIRECTORS

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

Executive Directors	
Mr. To, Cho Kei	
Mr. Chan, Kai Yan	
Dr. Chan, Kim Chung	
Mr. Lam, Ching Ho Andy	(appointed on 27 May 2002)
Mr. Wu, Man Hong Francis	(appointed on 27 May 2002)
Mr. Lo, Chun Shing, alternate to Mr. Lam, Ching Ho Andy	(appointed on 27 May 2002)
Non-executive Directors	
Mr. Wu, Yang	
Mr. Ching, Tai Ming David	(resigned on 27 May 2002)
Mr. Lee, Tak Ching	(retired on 28 August 2002)
Independent Non-executive Directors	
Mr. Ching, Tai Ming David	(appointed on 27 May 2002)
Dr. Wong, Albert	(appointed on 30 November 2002)
Mr. Chan, Wai Dune Charles	(resigned on 30 April 2002)
Dr. Leininger, Joseph William	(resigned on 27 May 2002)
The Hon. Dr. Wong, Yu Hong Philip	(resigned on 31 October 2002)

RETIREMENT OF DIRECTORS

In accordance with article 87 of the Company's articles of association, Mr Chan Kai Yan, Dr. Chan Kim Chung and Mr. Wu Yang retire from the Board by rotation at the forthcoming annual general meeting. Each of Mr Chan Kai Yan, Dr. Chan Kim Chung and Mr. Wu Yang have indicated that they will not hold themselves out for re-election at the forthcoming annual general meeting. The Board takes this opportunity to thank them for their contributions to the Company.

DIRECTORS' SERVICE CONTRACTS

Three of the executive Directors entered into service contracts with the Company on 26 August 2000 for an initial fixed term of two years and continued thereafter from year to year until terminated by either party by giving three months notice in writing. For the other executive Directors appointed on 27 May 2002, they were committed by service contracts without fixed term until terminated by either party by giving three months notice in writing.

For the non-executive and independent non-executive Directors, they were committed to an initial fixed period of one year and thereafter the contracts should continue for further successive periods of one year until terminated by either party by giving at least one month notice in writing.

The executive Directors are committed by the service contract to devote themselves exclusively and diligently to the business and interests of the Group and to keep the Board promptly and fully informed of his conduct of business affairs, among other commitments.

Save as disclosed herein, none of the Directors has entered into any service agreements with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN SECURITIES

As at 31 March 2003, according to the register kept under Section 29 of the Securities (Disclosure of interests) Ordinance ("SDI Ordinance"), the interests of the Company's Directors, chief executives and their associates in shares of the Company or any associated corporations (as defined in the SDI Ordinance) were as follows:

The Company

	Ordinary Shares of HK$0.10 each				
Name	**Personal Interest**	**Family Interest**	**Corporate Interest**	**Other Interest**	**Total Interest**
To Cho Kei ("Mr. To") (Note 1)	–	–	449,421,914	–	449,421,914
Chan Kai Yan	1,165	–	–	–	1,165
Lam Ching Ho, Andy	500,000	–	–	–	500,000
Lo Chun Shing	70,000	–	–	–	70,000

Note 1: The interest of Mr. To is held through Trouble Free Technology Limited which is wholly owned by Mr. To. Upon the completion of the sale and purchase agreement entered with Wide Source Group Ltd. ("Wide Source") on 14 May 2003, Mr. To had sold all of the 449,421,914 shares to Wide Source and therefore Mr. To no longer had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance up to the date of this report.

Save as disclosed above, none of the Directors, chief executives or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN CONTRACTS

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or its subsidiary was a party and in which any of the Directors and chief executives had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

On 26 August 2000, the Company had conditionally adopted a Share Option Scheme pursuant to which full-time employees and executive Directors of the Company and its subsidiaries, excluding non-executive Directors and independent non-executive Directors of the Group, may be granted options to subscribe for Shares of the Company. No option was granted by the Company since the inception of the Share Option Scheme. Details of the Share Option Scheme are set out in the paragraph headed "Share Option Scheme".

Save as disclosed above, as at 31 March 2003, none of the Directors, chief executives or their associates had any interests or rights to subscribe for any securities of the Company or any of its associate corporations as defined in the SDI Ordinance.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries, its holding company, or any of its fellow subsidiaries a party to any arrangement to enable the Company's Directors (including their spouses or children under 18 years of age) or chief executives of the Company to acquire benefits by means of the acquisition of shares in or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Other than interests disclosed above in respect of Directors and their associates, as at 31 March 2003, according to the register required kept under Section 16(1) of the SDI Ordinance, the following person was interested in 10 per cent or more of the issued share capital of the Company:

Name	Number of issued shares	Percentage of shareholding
Trouble Free Technology Limited ("Trouble Free") (Note 1)	449,421,914	43.36%

Note:

1. Trouble Free is 100 per cent. beneficially owned by Mr. To Cho Kei.

SUBSTANTIAL SHAREHOLDERS (continued)

On 8 April 2003, the Company's controlling shareholder, Mr. To has entered into a sale and purchase agreement with Wide Source Group Ltd. ("Wide Source"), pursuant to which Wide Source agreed to purchase and Mr. To agreed to sell an aggregate of 529,421,914 shares, representing approximately 51.08% of the issued share capital of the Company, as to 449,421,914 shares by Trouble Free and as to 80,000,000 shares by Brainy for an aggregate consideration of HK$7,300,000. Immediately following the completion of the sale and purchase agreement, Wide Source is beneficially interested in approximately 51.08% of the issued share capital of the Company and therefore obliged to make a mandatory unconditional cash offer to acquire all the issued shares at HK$0.0138 per share other than those already owned by Wide Source and the parties acting in concert with it under Rules 26.1 of the Takeovers Code (the "Offer"). Upon the closing of the Offer at 4:00 p.m. on 6 June 2003, Wide Source had received valid acceptances of the Offer in respect of 9,140,000 shares, representing about 0.88% of the issued shares of the Company. Wide Source is interested in 538,561,914 shares, representing about 51.97% of the issued shares and has replaced Mr. To as the controlling shareholder of the Company. The following persons are shareholders (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or, directly, or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group were as follows:

Name	Number of issued shares	Percentage of shareholding
Wide Source Group Ltd. (Note 2)	538,561,914	51.97%
Suez Asia Holdings Pte Ltd (Note 3)	85,300,000	8.23%

Note:

2. Wide Source is a company incorporated in the British Virgin Islands with limited liability and is ultimately and beneficially owned as to 50% by Mr Luk Yat Hung and as to 50% by Mr Ma Bing.

3. Suez Asia is a private equity investor in Asia holding the Shares in trust.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the shareholders of the Company dated 26 August 2000, the Company conditionally adopted and approved the Share Option Scheme. The summary of the principal terms of the Share Option Scheme has been set out in Appendix IV of the Company's prospectus in connection with the placing of the Company's shares dated 4 September 2000.

Under the Share Option Scheme, full-time employees and executive Directors of the Company and its subsidiaries excluding non-executive and independent non-executive Directors of the Group may be granted options to subscribe for shares of the Company. The purpose of the Share Option Scheme is to recognize the contribution and motivate the performance of the employees and the executive Directors who contribute to the growth of the Group. The Share Option Scheme will remain in force for a period of ten years commencing on the date on which the condition referred to in the Share Option Scheme are fulfilled.

The subscription price for the share under the Share Option Scheme will be a price determined and notified by the Directors to each of any employee or executive Director who accepts the offer of the grant of any option in accordance with the terms of the Share Option Scheme (the "Grantee") and will be higher of (i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the share. Upon acceptance of the option, the Grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

The total number of shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10 per cent. of the total number of shares in issue from time to time (excluding (A) any shares issued pursuant to the Share Option Scheme and any other share option schemes of the Company; and (B) any pro rata entitlements to further shares issued in respect of those shares mentioned in (A)) unless the Company obtains a fresh approval from its shareholders. As at 31 March 2003, total number of shares available for issue under the Share Option Scheme was 103,637,500.

No employee shall be granted an option which, if exercise in full, would result in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued under all the options previously granted which have been exercised, and, issuable under all the options previously granted which are for the time being subsisting and unexercised, would exceed 25 per cent. of the aggregate number of shares for the time being issued and are issuable under the Share Option Scheme.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period of not less than three years and not more than ten years from the date upon which the option is offered and accepted subject to the provisions of early termination thereof.

No option has been granted by the Company since the inception of the Share Option Scheme.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. To Cho Kei, being the chairman and chief executive officer of the Group, effectively owns 100 per cent of Extracomm Technologies Incorporation ("Extracomm Technologies"), the business of which constitutes a competing business with that of the Group, under the GEM Listing Rules.

Pursuant to a non-competition undertaking dated 26 August 2000, each of Trouble Free and Mr. To Cho Kei has irrevocably undertaken to the Company that each of them will not, and will use their best endeavours to procure that none of their respective associates will carry on or be engaged, concerned, interested, or assist whether directly or indirectly, whether as a shareholder, director, executive partner, agent or otherwise, in any business which competes, directly or indirectly with the business of the Group, save for the current business of Extracomm Technologies which is the distribution and marketing of Extrafax.

Save as disclosed herein, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has any interest in a business which competes or may compete with the business of the Group or has any other conflicts of interest with the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Group's Directors and senior management are set out on pages 12 to 13.

INTERESTS OF SPONSOR

As updated and notified by the Sponsor of the Company, Core-Pacific – Yamaichi Capital Limited ("CPY"), CPY, its directors, employees and its associates have held 280,000 shares in the securities of the Company as at 31 March 2003. Save as disclosed herein, neither CPY nor its directors, employees and its associates has any interests in the securities of the Company or of any subsidiary of the Group, or any right to subscribe for or to nominate persons to subscribe for the share capital of the Company or any member of the Group.

CPY has entered into a sponsorship agreement with the Company whereby, for a fee, CPY will act as the Company's continuing sponsor for the period from 8 September 2000 to 31 March 2003. Following the expiry of the sponsorship agreement entered between CPY and the Company, CPY has ceased to act as the Company's continuing sponsor with effect from 1 April 2003.

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

From the date of listing since 8 September 2000 up to the year ended 31 March 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

FIVE-YEAR SUMMARY

A summary of results and of the assets and liabilities of the Group for the last five financial years is set out on page 57 of this report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws in the Cayman Islands.

BOARD PRACTICES AND PROCEDURES

During the year under review, the Company was in compliance with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

AUDIT COMMITTEE

Pursuant to Rules 5.23 to 5.25 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference, which deal clearly with its authority and duties. The audit committee's primary duties are to review and to supervise the financial reporting process and internal control system of the Group and to provide advice and comments to the Directors.

The audit committee comprises two independent non-executive Directors, namely, Mr. Ching Tai Ming David and Dr. Wong Albert, and Mr. Ching Tai Ming David is the chairperson of the audit committee. Dr. Albert Wong was appointed as the independent non-executive director and member of the audit committee of the Company with effect from 30 November 2002 to replace The Hon. Dr. Wong, Yu Hong Philip who resigned on 31 October 2002.

During the year under review, four audit committee meetings were held for reviewing the Group's annual report, half-year report and quarterly reports, and providing advices and recommendations to the board of Directors.

AUDITORS

The financial statements for the year were audited by KPMG, Certified Public Accountants. KPMG will retire at the conclusion of the forthcoming Annual General Meeting, and being eligible, will offer them for re-appointment.

By order of the Board

To Cho Kei
Chairman

Hong Kong, 27 June 2003

KPMG

Auditors' report to the shareholders of
Systek Information Technology (Holdings) Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 24 to 56 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

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.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in note 1(b) to the financial statements concerning uncertainties facing the Group. The financial statements have been prepared on a going concern basis, the validity of which depends upon the generation of sufficient cash flows from the Group's operations, which are dependent on, among other things, successful implementation of the Group's business development plans.

The financial statements do not contain any adjustments that would result from the failure either to generate sufficient cash flows from the Group's operations or to implement the Group's business development plans. These would include any adjustments required to write down the Group's and the Company's assets to their recoverable amounts, to provide any liabilities which may arise and to reclassify long-term assets as current assets. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the financial statements and our opinion is not qualified in this respect.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 March 2003 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

Hong Kong, 27 June 2003

Consolidated Income Statement

For the year ended 31 March 2003
(Expressed in Hong Kong dollars)

	Note	**2003** **$'000**	2002 $'000
Turnover	2	**37,698**	35,292
Cost of services and merchandise sold		**(25,490)**	(21,724)
Gross profit		**12,208**	13,568
Other revenue and net income	3	**27**	1,118
Research and development costs	4(c)	**(36,343)**	(15,366)
Selling expenses		**(3,160)**	(10,781)
General and administrative expenses		**(25,692)**	(36,589)
Other operating expenses		**(3,894)**	(6,080)
Loss from operations		**(56,854)**	(54,130)
Finance costs	4(a)	**(50)**	(23)
Loss from ordinary activities before taxation	4	**(56,904)**	(54,153)
Taxation	5(a)	**75**	–
Loss attributable to shareholders	8	**(56,829)**	(54,153)
Dividends	9	**–**	–
Loss per share	10		
– Basic (HK cents)		**(5.48)**	(5.23)
– Diluted (HK cents)		**N/A**	N/A

The notes on pages 29 to 56 form part of these financial statements.

Consolidated Balance Sheet

At 31 March 2003
(Expressed in Hong Kong dollars)

	Note	**2003** **$'000**	2002 $'000
Non-current assets			
Fixed assets	12	**4,452**	8,407
Intangible assets	14	**–**	30,109
Investment securities	15	**–**	700
		4,452	39,216
Current assets			
Gross amount due from customers for contracts	16	**1,601**	2,381
Inventories	17	**240**	153
Accounts receivable	18	**6,059**	8,453
Prepayments, deposits and other receivables		**792**	1,803
Tax recoverable	5(b)	**–**	1,302
Pledged deposits	20	**526**	4,342
Cash and cash equivalents	21	**2,107**	13,600
		11,325	32,034
Current liabilities			
Receipts in advance	22	**1,971**	1,345
Other payables and accruals		**8,369**	8,536
Tax payable	5(b)	**–**	266
		10,340	10,147
Net current assets		**985**	21,887
Total assets less current liabilities		**5,437**	61,103
Minority interests		**–**	–
NET ASSETS		**5,437**	61,103
CAPITAL AND RESERVES			
Share capital	23	**103,638**	103,638
Reserves	24(a)	**(98,201)**	(42,535)
		5,437	61,103

Approved and authorised for issue by the board of directors on 27 June 2003

To Cho Kei)
)
) *Directors*
)
Wu Man Hong Francis)

The notes on pages 29 to 56 form part of these financial statements.

Balance Sheet

At 31 March 2003
(Expressed in Hong Kong dollars)

	Note	2003 $'000	2002 $'000
Non-current assets			
Investments in subsidiaries	13	**6,900**	3,800
Current assets			
Amounts due from subsidiaries	19	**1,741**	123,983
Prepayments, deposits and other receivables		**–**	113
Pledged deposits	20	**–**	3,742
Cash and cash equivalents	21	**–**	20
		1,741	127,858
Current liabilities			
Other payables and accruals		**2,635**	1,717
Net current (liabilities)/assets		**(894)**	126,141
NET ASSETS		**6,006**	129,941
CAPITAL AND RESERVES			
Share capital	23	**103,638**	103,638
Reserves	24(b)	**(97,632)**	26,303
		6,006	129,941

Approved and authorised for issue by the board of directors on 27 June 2003

To Cho Kei)
)
) *Directors*
)
Wu Man Hong Francis)

The notes on pages 29 to 56 form part of these financial statements.

Consolidated Statement Of Changes in Equity

For the year ended 31 March 2003
(Expressed in Hong Kong dollars)

	Note	**2003** **$'000**	2002 $'000
Shareholders' equity at 1 April		**61,103**	115,582
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	24(a)	**(37)**	(326)
Net loss not recognised in the income statement		**(37)**	(326)
Net loss for the year	24(a)	**(56,829)**	(54,153)
Movement in capital reserve:			
Waiver of amount due to a shareholder	24(a)	**1,200**	–
		(55,629)	(54,153)
Shareholders' equity at 31 March		**5,437**	61,103

The notes on pages 29 to 56 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2003
(Expressed in Hong Kong dollars)

	Note	2003 $'000	2002 $'000
Operating activities			
Loss from ordinary activities before taxation		**(56,904)**	(54,153)
Interest income from bank deposits		**(19)**	(977)
Depreciation		**2,527**	2,617
Amortisation of intangible assets		**8,439**	6,971
Impairment loss on intangible assets		**25,542**	–
Impairment loss on fixed assets		**391**	–
Finance costs		**50**	23
Loss on disposal of fixed assets		**1,293**	828
Provision for diminution in value against investment securities		**700**	5,095
Provision for bad and doubtful debts		**242**	1,266
Provision for receivable from minority shareholder		**–**	985
Settlement to a labour dispute paid by a shareholder (note 4(c))		**1,200**	–
Operating loss before changes in working capital		**(16,539)**	(37,345)
Decrease/(increase) in gross amount due from customers for contracts		**780**	(1,397)
Increase in inventories		**(87)**	(153)
Decrease in accounts receivable		**2,152**	1,726
Decrease in prepayments, deposits and other receivables		**1,011**	1,123
Increase in receipts in advance		**626**	1,345
Decrease in other payables and accruals		**(167)**	(797)
Cash used in operations		**(12,224)**	(35,498)
Tax paid			
– Hong Kong Profits Tax refunded		**1,302**	–
– Overseas tax paid		**(191)**	–
Net cash used in operating activities		**(11,113)**	(35,498)
Investing activities			
Payment for purchase of fixed assets		**(424)**	(2,142)
Proceeds from disposal of fixed assets		**168**	–
Pledged deposits		**3,816**	35,846
Payment for purchase of investment securities		**–**	(2,950)
Payment for acquisition of intangible assets		**(3,872)**	(16,676)
Interest received		**19**	977
Net cash (used in)/generated from investing activities		**(293)**	15,055
Financing activities			
Interest paid		**(50)**	(23)
Net cash used in financing activities		**(50)**	(23)
Net decrease in cash and cash equivalents		**(11,456)**	(20,466)
Cash and cash equivalents at 1 April		**13,600**	34,392
Effect of foreign exchange rates changes		**(37)**	(326)
Cash and cash equivalents at 31 March	21	**2,107**	13,600

The notes on pages 29 to 56 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2003
(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The Group continued to make significant losses in the current financial year and its cash position was reduced to $2.1 million as at 31 March 2003. The sustainability of the Group is dependent on its ability to generate sufficient cash flows from its operations, which are dependent on, among other things, its ability to successfully implement its business development plans. Upon the completion of a sale and purchase agreement in relation to the sale of the Company's shares on 14 May 2003, Wide Source Group Limited ("Wide Source") becomes the largest single shareholder of the Company (see note 29). The Directors and Wide Source's directors do not expect that there will have any material impact on the business operation of the Group after the completion of the sale and purchase agreement. The Directors have evaluated all the relevant facts available to them and are of the opinion that there do not exist any material adverse conditions precluding the Group from generating sufficient cash flows from its operations or implementing its business development plans. Accordingly, the financial statements have been prepared on a going concern basis.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts or to amounts and classification of liabilities that might be necessary should the going concern basis not be applicable.

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

(c) Subsidiaries and controlled enterprises

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries and controlled enterprises (continued)

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gain, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(i)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

(d) Investments in securities

The Group's and the Company's policies for investments in securities other than investments in subsidiaries are as follows:

(i) Investment held on a continuing basis for an identified long-term purpose is classified as investment securities. Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the income statement, such provisions being determined for each investment individually.

(ii) Provisions against the carrying value of investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the income statement as they arise.

(e) Fixed assets

(i) Fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(i)).

(ii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Fixed assets (continued)

(iii) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

(f) Intangible assets

(i) Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense in the period in which it is incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation (see note 1(h)) and impairment losses (see note 1(i)). Other development expenditure is recognised as an expense in the period in which it is incurred.

(ii) Deferred asset

Deferred asset represents the signing bonus paid to certain staff upon joining the Group which is stated at cost less accumulated amortisation (see note 1(h)) and impairment losses (see note 1(i)).

(iii) Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

(g) Leased assets

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Amortisation and depreciation

(i) Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives on a straight-line basis, after taking into account their estimated residual values, as follows:

Leasehold improvement	–	Over the shorter of remaining lease term and 5 years
Furniture and fixtures	–	5 years
Computer and office equipment	–	5 years

(ii) Amortisation of intangible assets is charged to the income statement on a straight-line basis over the assets' estimated useful lives as follows:

Capitalised development costs	–	Over the life of the relevant project from the date of commencement of commercial operations subject to a maximum of 5 years
Deferred asset	–	Over the respective service term of the relevant employment contracts

(i) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets;

– intangible assets;

– investments securities; and

– investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of assets (continued)

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in first-out cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance or other retirement benefit schemes, are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognised as an expense.

(iii) When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligations is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

(iv) 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.

(m) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where 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 of economic benefits 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 of economic benefits is remote.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Service contracts

The accounting policy for the revenue derived from systems development and consultancy services is set out in note 1(p)(i). When the outcome of a service contract can be estimated reliably, contract costs are recognised as expense by reference to the stage of completion of the contract activity at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a service contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Service contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contracts" (as an asset) or the "Gross amount due to customers for contracts" (as a liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under "Accounts receivable". Amounts received before the related work is performed are included in the balance sheet, as a liability, as "Receipts in advance".

(p) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Systems development and consultancy services
Revenue arising from the provision of systems development, maintenance and installation as well as consultancy services is recognised when the underlying services are rendered which is estimated by apportionment over the expected duration of each engagement; and the outcome of the contract can be estimated with reasonable certainty.

(ii) Sale of software and hardware products
Revenue arising from the sale of software and hardware products is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is stated after deduction of any trade discounts.

(iii) Professional service fees
Professional service fees represent fees for the provision of IT engineering services and are recognised when the underlying professional services are rendered.

(iv) Training fees
Training fees represent income earned from the provision of training courses, which is recognised when the related courses are held.

(v) Interest income
Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Translation of foreign currencies

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

The results of foreign subsidiaries are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a foreign subsidiary, the cumulative amount of the exchange differences which relate to that foreign enterprise is included in the calculation of the profit or loss on disposal.

(r) Warranty costs

Warranty costs are charged to the income statement as and when incurred.

(s) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(t) Segment reporting

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

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Segment reporting (continued)

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

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

2. TURNOVER

The principal activities of the Group are the provision of systems development, sale of software and hardware products, training and technical support services. Turnover represents income arising from the provision of systems development and consultancy services, provision of IT engineering and technical support services, provision of training courses and the sale of software and hardware products.

The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2003	2002
	$'000	$'000
Systems development	**20,039**	18,933
Software and hardware products	**3,984**	4,583
Professional service fees	**11,351**	9,382
Training fees	**2,324**	2,394
	37,698	35,292

3. OTHER REVENUE AND NET INCOME

	2003	2002
	$'000	$'000
Interest income	**19**	977
Sundry income	**8**	141
	27	1,118

4. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

Loss from ordinary activities before taxation is arrived at after charging:

		2003 $'000	2002 $'000
(a)	Finance costs:		
	Interest on bank overdrafts and other borrowings repayable within five years	**50**	23
(b)	Staff costs: #		
	Salaries, wages and other benefits	**38,945**	62,551
	Less: Amount capitalised as intangible assets	**(3,537)**	(14,286)
		35,408	48,265
	Retirement costs	**1,389**	1,980
		36,797	50,245
(c)	Other items:		
	Cost of services and merchandise sold #	**25,490**	21,724
	Research and development costs #	**6,282**	25,167
	Less: Amount capitalised as intangible assets	**(3,872)**	(16,676)
	Add: Amortisation of research and development costs	**8,391**	6,875
	Add: Amount impaired	**25,542**	–
		36,343	15,366
	Operating lease rentals – properties	**5,008**	9,602
	Less: Amount capitalised as intangible assets	**(335)**	(1,832)
		4,673	7,770
	Pre-operating costs written off	**–**	67
	Amortisation of deferred assets #	**48**	96
	Auditors' remuneration	**600**	750
	Impairment loss on fixed assets	**391**	–
	Depreciation	**2,527**	2,617
	Loss on disposal of fixed assets	**1,293**	828
	Provision for bad and doubtful debts	**242**	1,266
	Provision for receivable from minority shareholder	**–**	985
	Provision for diminution in value against investment securities	**700**	5,095
	Settlement to a labour dispute @	**1,850**	–

Cost of services and merchandise sold, research and development costs, and amortisation of deferred assets include $23,311,000 (2002: $27,243,000) staff costs.

4. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION (continued)

@ For the year ended 31 March 2002, a claim was made against one of the Company's wholly-owned subsidiaries in relation to a labour dispute instigated by a former employee, claiming $9,522,400 (inclusive of interest and cost). The Group had sought legal advice on the claim that it was not possible to determine the outcome of this matter with reasonable uncertainty as at 31 March 2002. However, based on additional information available to the Group as at 31 March 2002, the Directors had considered that the claim was unlikely to be successful, therefore no provision was made in respect of the alleged claims in the financial statements for the year ended 31 March 2002. On 26 August 2002, the claim was transferred from the Labour Tribunal to the High Court. On 27 February 2003, a consent order was filed by the Group and the former employee with the High Court. According to the consent order, the Group paid a sum of $650,000 and caused 20,000,000 shares of the Company at market value of $1,200,000 to be transferred from the substantial shareholder of the Company to the former employee. The aforesaid $1,200,000 due to the substantial shareholder was waived during the year. The waived amount is in substance equivalent to a capital contribution to the Group. As such the Group records an increase in capital reserve (note 24(a)).

5. TAXATION

(a) Taxation in the consolidated income statement represents:

	2003	2002
	$'000	$'000
Overprovision for overseas tax in respect of prior years	**75**	–

No provision for taxation has been made for the years ended 31 March 2003 and 2002 as the Group sustained losses for taxation purpose during both years.

Subsidiaries operating in the PRC are exempted from PRC income tax for two years commencing from the first profit making year and are entitled to a 50% relief from PRC income tax for the following three years, after which the profits are subject to PRC income tax at the standard rate of 33%. These subsidiaries sustained losses since establishment and the two-year tax exemption period has not commenced.

(b) Tax (recoverable)/payable in the consolidated balance sheet represents:

	2003	2002
	$'000	$'000
Balance of Hong Kong Profits Tax recoverable relating to prior years	**–**	(1,302)
Balance of income tax payable outside Hong Kong relating to prior years	**–**	266
	–	(1,036)
Representing:		
Tax recoverable	**–**	(1,302)
Tax payable	**–**	266
	–	(1,036)

5. TAXATION (continued)

(c) Deferred taxation

Major components of unrecognised deferred tax assets are set out below:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Unutilised tax losses carried forward	**18,079**	11,219	**2,157**	1,215

No deferred tax asset in respect of unutilised tax losses carried forward, which are available to set off against future assessable profits, has been recognised as it is uncertain that these tax losses will be utilised in the foreseeable future.

There were no other material unprovided deferred taxation assets or liabilities as at 31 March 2003 and 2002.

6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2003	2002
	$'000	$'000
Executive Directors:		
Salaries and other emoluments	**2,712**	4,285
Retirement scheme contributions	**53**	42
Other allowances	**–**	335
	2,765	4,662
Non-executive Directors:		
Fees	**179**	321

6. DIRECTORS' REMUNERATION (continued)

The remuneration of the Directors is within the following bands:

	Number of Directors	
	2003	2002
Nil – $1,000,000	**14**	10
$1,000,001 – $2,000,000	**–**	3

The executive Directors and non-executive Directors received individual emoluments of approximately Nil (2002: $1,000,000), $870,000 (2002: $1,095,000), $579,000 (2002: $1,012,000), $306,000 (2002: Nil), $469,000 (2002: Nil), $541,000 (2002: Nil), Nil (2002: $621,000), Nil (2002: $647,000), Nil (2002: $287,000), $21,000 (2002: $50,000), $50,000 (2002: $50,000), Nil (2002: $21,000) and $50,000 (2002: $50,000) respectively.

The independent non-executive Directors received individual emoluments of approximately $17,000 (2002: $Nil), Nil (2002: Nil), $29,000 (2002: $50,000), $4,000 (2002: $50,000) and $8,000 (2002: $50,000) respectively.

During the year, Directors' remuneration of $547,000 (2002: Nil) was waived.

7. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2002: three) are Directors whose emoluments are disclosed in note 6 above. The aggregate of the emoluments in respect of the other two (2002: two) individuals are as follows:

	2003	2002
	$'000	$'000
Salaries and other emoluments	**1,169**	2,944
Retirement scheme contributions	**24**	22
	1,193	2,966

The emoluments of the two (2002: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2003	2002
Nil – $1,000,000	**2**	–
$1,000,001 – $2,000,000	**–**	2

8. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders includes a loss of $125,135,000 (2002: $4,376,000) which has been dealt with in the financial statements of the Company.

(Expressed in Hong Kong dollars)

9. DIVIDENDS

The Directors do not recommend the payment of any final dividends for the year ended 31 March 2003 (2002: Nil).

10. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of $56,829,000 (2002: $54,153,000) divided by 1,036,375,000 (2002: 1,036,375,000) shares in issue during the year.

(b) Diluted earnings per share

There were no potential dilutive ordinary shares in issue as at 31 March 2003 and 2002.

11. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Systems development:	Provision of systems development, maintenance and installation as well as consulting services.
Software and hardware products:	Sales of computer software and hardware products.
Professional services:	Provision of IT engineering and technical support services.
Training:	Provision of training courses.

11. SEGMENT REPORTING (continued)

Business segments (continued)

	Systems development		Software and hardware products		Professional services		Training		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from external customers	**20,039**	18,933	**3,984**	4,583	**11,351**	9,382	**2,324**	2,394	**37,698**	35,292
Contribution from operations	**5,467**	5,289	**1,778**	2,548	**4,432**	4,448	**531**	1,283	**12,208**	13,568
Unallocated operating income and expenses									**(69,062)**	(67,698)
Loss from operations									**(56,854)**	(54,130)
Finance costs									**(50)**	(23)
Taxation									**75**	–
Minority interests									**–**	–
Loss attributable to shareholders									**(56,829)**	(54,153)
Depreciation and amortisation for the year	**10,840**	9,463	**–**	–	**–**	–	**126**	125	**10,966**	9,588
Impairment loss for the year	**25,933**	–	**–**	–	**–**	–	**–**	–	**25,933**	–
Significant non-cash expenses (other than depreciation and amortisation)	**1,536**	2,094	**–**	–	**–**	–	**–**	–	**1,536**	2,094
Unallocated significant non-cash expenses (other than depreciation and amortisation)									**1,900**	6,080
									3,436	8,174

11. SEGMENT REPORTING (continued)

Business segments (continued)

	Systems development		Software and hardware products		Professional services		Training		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Segment assets	**10,112**	48,577	**1,000**	279	**1,394**	1,667	**638**	783	**13,144**	51,306
Unallocated assets									**2,633**	19,944
Total assets									**15,777**	71,250
Segment liabilities	**4,156**	7,807	**196**	441	**2,316**	1,265	**585**	368	**7,253**	9,881
Unallocated liabilities									**3,087**	266
Total liabilities									**10,340**	10,147
Capital expenditure incurred during the year	**4,296**	18,818	**–**	–	**–**	–	**–**	–	**4,296**	18,818
Unallocated capital expenditure incurred during the year									**–**	1,000
									4,296	19,818

The Group does not have any inter-segment sales.

11. SEGMENT REPORTING (continued)

Geographical segments

The Group's four business segments are conducted mainly in Hong Kong and elsewhere in the PRC.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		The PRC		Other Countries	
	2003	2002	**2003**	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from external customers	**32,428**	31,316	**3,598**	3,505	**1,672**	471
Segment assets	**11,897**	55,869	**3,512**	14,571	**368**	810
Capital expenditure incurred during the year	**3,883**	13,380	**323**	5,373	**90**	1,065

Notes to the Financial Statements

For the year ended 31 March 2003
(Expressed in Hong Kong dollars)

12. FIXED ASSETS

The Group

	Leasehold improvements $'000	Computer and office equipment $'000	Furniture and fixtures $'000	Total $'000
Cost:				
At 1 April 2002	1,976	11,990	1,952	15,918
Additions	44	356	24	424
Disposals	(818)	(1,155)	(801)	(2,774)
At 31 March 2003	1,202	11,191	1,175	13,568
Aggregate depreciation:				
At 1 April 2002	675	5,925	911	7,511
Charge for the year	398	1,845	284	2,527
Written back on disposal	(460)	(456)	(397)	(1,313)
Impairment loss	–	260	131	391
At 31 March 2003	613	7,574	929	9,116
Net book value:				
At 31 March 2003	**589**	**3,617**	**246**	**4,452**
At 31 March 2002	1,301	6,065	1,041	8,407

13. INVESTMENTS IN SUBSIDIARIES

	2003	2002
	$'000	$'000
Unlisted investments, at cost		
Balance brought forward	**3,800**	3,800
Additions (note 19)	**120,856**	–
	124,656	3,800
Less: Impairment loss	**(117,756)**	–
Balance carried forward	**6,900**	3,800

Owing to continuous losses incurred by the Group's certain subsidiaries, the Directors have performed an assessment of the recoverable amount of investments in these subsidiaries. Based on this assessment, the carrying amount of investments in these subsidiaries was written down by $117,756,000. The estimates of recoverable amount were based on their net selling prices by reference to net assets value of these subsidiaries.

Details of the subsidiaries at 31 March 2003 are as follows. The class of shares held is ordinary unless otherwise stated. All of these are controlled subsidiaries as defined under note 1(c), and have been consolidated into the Group's financial statements.

Name of Company	Place of incorporation /establishment and operation	Percentage of ownership interest: Group's effective holding	held by the Company	held by subsidiary	Issued/ registered capital	Principal activities
Productive Finance Limited ("PFL")	British Virgin Islands ("BVI")	100%	100%	–	US$5,200	Investment holding
Absolute Great Technology Limited	BVI	100%	–	100%	US$1	Dormant
Systek Information System (Shanghai) Limited (Note)	PRC	100%	–	100%	US$200,000	Dormant
Systek Information Technology Inc.	United States of America	100%	–	100%	US$10	Dormant

Notes to the Financial Statements

For the year ended 31 March 2003
(Expressed in Hong Kong dollars)

13. INVESTMENTS IN SUBSIDIARIES (continued)

Name of Company	Place of incorporation /establishment and operation	Percentage of ownership interest: Group's effective holding	held by the Company	held by subsidiary	Issued/ registered capital	Principal activities
Systek Information Technology Limited ("SITL")	Hong Kong	100%	–	100%	$520,000	Development and trading of software products and provision of training services
Systek Information Technology (Pte) Limited	Singapore	100%	–	100%	S$2	Dormant
Systek Information Technology (Shanghai) Limited (Note)	PRC	100%	–	100%	US$200,000	Development and trading of software products
Systek International Trading Company (Shanghai) Limited (Note)	PRC	100%	–	100%	US$200,000	Dormant
Systek Investment Inc.	BVI	100%	–	100%	US$1	Investment holding
Systek Solutions China Limited	Hong Kong	100%	–	100%	$2	Investment holding
SYSTEKIT Innovations Inc.	Canada	100%	–	100%	C$1,000	Provision of market research services
Telecare Limited	Hong Kong	80%	–	80%	$10,000	Provision of interactive customer care services
Systek Research Limited (formerly named Tiger Magic Holdings Limited)	BVI	100%	–	100%	US$1	Dormant

13. INVESTMENTS IN SUBSIDIARIES (continued)

Name of Company	Place of incorporation /establishment and operation	Percentage of ownership interest: Group's effective holding	Percentage of ownership interest: held by the Company	Percentage of ownership interest: held by subsidiary	Issued/ registered capital	Principal activities
Transaction Technologies Limited (formerly named United Venture Group Limited)	Hong Kong	100%	–	100%	$2	Dormant
WinClient Technologies (HK) Limited	Hong Kong	100%	–	100%	$10,000	Development and trading of software products and provision of training services
Wingreat Investments Limited	BVI	100%	–	100%	US$1	Investment holding

Note: The companies were established as wholly-foreign owned enterprises in the PRC.

14. INTANGIBLE ASSETS

	The Group		
	Development costs	**Deferred assets**	**Total**
	$'000	$'000	$'000
Cost:			
At 1 April 2002	39,187	192	39,379
Addition through internal development	3,872	–	3,872
At 31 March 2003	43,059	192	43,251
Accumulated amortisation:			
At 1 April 2002	9,126	144	9,270
Charge for the year	8,391	48	8,439
Impairment loss	25,542	–	25,542
At 31 March 2003	43,059	192	43,251
Net book value:			
At 31 March 2003	**–**	**–**	**–**
At 31 March 2002	30,061	48	30,109

Owing to unsatisfactory sales records on those self-developed products, the Directors have performed an assessment of the recoverable amount of research and development costs. Based on this assessment, the Directors consider that it is unlikely that these research and development costs have any future value in use and hence the carrying amount of research and development costs was fully impaired (included in "Research and development costs").

15. INVESTMENT SECURITIES

	The Group	
	2003	2002
	$'000	$'000
Unlisted equity securities, at cost	**8,995**	8,995
Less: Provision for diminution in value	**(8,995)**	(8,295)
	–	700

16. GROSS AMOUNT DUE FROM CUSTOMERS FOR CONTRACTS

	The Group	
	2003	2002
	$'000	$'000
Costs incurred	**15,182**	8,773
Recognised profits less (losses), net	**(1,728)**	(627)
	13,454	8,146
Less: Progress billings	**(11,853)**	(5,765)
	1,601	2,381

The gross amount due from customers for contracts at 31 March 2003 is expected to be recovered in the next twelve months.

17. INVENTORIES

	The Group	
	2003	2002
	$'000	$'000
Finished goods	**240**	153

None of the inventories at 31 March 2003 was carried at net realisable value.

18. ACCOUNTS RECEIVABLE

An ageing analysis of accounts receivable is as follows:

	The Group	
	2003	2002
	$'000	$'000
Within 1 month	**4,511**	4,129
More than 1 month but within 3 months	**1,013**	2,968
More than 3 months but less than 12 months	**497**	607
Beyond 1 year	**38**	749
	6,059	8,453

All of the accounts receivable are expected to be recovered within one year. General credit term is 30 to 45 days from the date of billing. Debtors with balances that are more than 9 months overdue are requested to settle all outstanding balances before any further credit is granted.

19. AMOUNTS DUE FROM SUBSIDIARIES

During the year, amounts due from subsidiaries, totalling $120,856,000 (2002: $Nil) were waived. The waived amount is in substance equivalent to a capital contribution to the subsidiaries. As such, the Company records an increase in the carrying value of its investment and the subsidiaries record an increase in capital reserve.

During the year, provision for amount due from a subsidiary, totalling $1,500,000 (2002: Nil), was made. This subsidiary has been making losses and has net liabilities as at 31 March 2003. Accordingly, the Directors consider that it is unlikely that the amount due from the subsidiary would be recoverable.

Amounts due from subsidiaries were unsecured and interest free and have no fixed terms of repayment.

20. PLEDGED DEPOSITS

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Pledged deposits	**526**	4,342	**–**	3,742
Banking facilities granted	**526**	4,042	**–**	3,742
Banking facilities utilised	**526**	100	**–**	–

Deposits with banks were pledged to secure certain general banking facilities granted to the Group. At 31 March 2003, banking facilities were utilised to issue a bank guarantee to a customer of the Group.

21. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Deposits with banks	**–**	729	**–**	–
Cash at bank and in hand	**2,107**	12,871	**–**	20
	2,107	13,600	**–**	20

22. RECEIPTS IN ADVANCE

Receipts in advance represent advance payments of systems development service fees from customers pursuant to the respective service contracts.

23. SHARE CAPITAL

	2003 and 2002	
	Number of shares	Amounts
	'000	$'000
Authorised:		
Ordinary shares of $0.1 each	2,000,000	200,000
Issued and fully paid:		
Ordinary shares of $0.1 each	1,036,375	103,638

24. RESERVES

(a) The Group

	Share premium $'000	Capital reserve $'000	Exchange reserves $'000	Accumulated losses $'000	Total $'000
At 1 April 2001	33,144	–	(32)	(21,168)	11,944
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	–	(326)	–	(326)
Loss for the year	–	–	–	(54,153)	(54,153)
At 31 March 2002	33,144	–	(358)	(75,321)	(42,535)
At 1 April 2002	33,144	–	(358)	(75,321)	(42,535)
Waiver of amount due to a shareholder (note 4(c))	–	1,200	–	–	1,200
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	–	(37)	–	(37)
Loss for the year	–	–	–	(56,829)	(56,829)
At 31 March 2003	**33,144**	**1,200**	**(395)**	**(132,150)**	**(98,201)**

According to the relevant PRC accounting rules and regulations, the PRC subsidiaries may appropriate part of its profits after tax to general reserve, at the discretion of the board of directors of the subsidiaries. The general reserve can be used to make good losses and to convert into paid-up capital.

No transfer to the general reserve was made by the PRC subsidiaries which sustained losses during the year.

24. RESERVES (continued)

(b) The Company

	Share premium $'000	Capital reserve $'000	Accumulated losses $'000	Total $'000
At 1 April 2001	33,144	–	(2,465)	30,679
Loss for the year (note 8)	–	–	(4,376)	(4,376)
At 31 March 2002	33,144	–	(6,841)	26,303
At 1 April 2002	33,144	–	(6,841)	26,303
Waiver of amount due to a shareholder (note 4(c))	–	1,200	–	1,200
Loss for the year (note 8)	–	–	(125,135)	(125,135)
At 31 March 2003	**33,144**	**1,200**	**(131,976)**	**(97,632)**

Under the Companies Law (revised) of the Cayman Islands, the funds in the share premium account and capital reserve of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

As at 31 March 2003, in the opinion of the Directors of the Company, no reserves of the Company are available for distribution to shareholders (2002: $26,303,000, subject to the restriction stated above).

25. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2003, the total future minimum lease payment under non-cancellable operating leases payable are as follows:

	The Group	
	2003	2002
	$'000	$'000
Within 1 year	**2,046**	3,194
After 1 year but within 5 years	**1,914**	344
	3,960	3,538

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one year to two years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

26. RETIREMENT BENEFITS SCHEMES

Hong Kong

Since 1 December 2000, the Hong Kong subsidiaries are required to join the Mandatory Provident Fund (the "MPF"), managed by an independent approved MPF trustee, under the requirements of the Mandatory Provident Fund Schemes Ordinance.

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000. Contributions to the scheme vest immediately.

Total retirement benefits costs under the MPF charged to the income statement amounted to $944,000 (2002: $1,464,000), net of forfeited contributions of $79,000 (2002: Nil). Minimum contribution to the MPF is 5% of the employees' basic salaries.

PRC, other than Hong Kong

The PRC subsidiaries of the Group participate in pension schemes organised by the respective municipal governments whereby they are required to pay annual contributions at the rates ranging from 19% to 25.5% of the standard wages determined by the relevant authorities in the PRC.

Under the above schemes, retirement benefits of existing and retired employees are payable by the relevant PRC scheme administrators and the Group has no further obligations beyond the annual contributions.

The aggregate employers' contributions by the Group under the PRC pension schemes amounted to $445,000 (2002: $425,000) during the year.

Singapore

A subsidiary of the Group participates in the mandatory central provident fund (the "CPF") in Singapore. This is a defined contribution scheme available to the employees in Singapore and is funded by contributions from the subsidiary and its employees who contribute respectively to the CPF based on fixed percentages of employees' salaries as defined under the relevant regulations in Singapore. No contributions to the CPF in respect of the year ended 31 March 2003 were made (2002: $Nil).

The Group does not operate any other schemes for retirement benefits provided to the Group's employees.

27. SHARE OPTION SCHEME

The Company has a share option scheme which was adopted on 26 August 2000 whereby the Directors of the Company are authorised, at their discretion, to invite full time employees of the Group, including executive Directors of any Company in the Group excluding non-executive Directors and independent non-executive Directors, to take up options to subscribe for shares of the Company. The exercise price of options was determined by the board and was the higher of (i) the closing price of the shares as stated on the Stock Exchange of Hong Kong Limited's ("Exchange's") daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated on the Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; (iii) the nominal value of the shares. Each option gives the holder the right to subscribe for one share.

No option was granted since the inception of the share option scheme.

28. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant transaction with a related party:

Rentals of an office premises in Hong Kong occupied by the Group totalling $856,730 during the year ended 31 March 2003 (2002: $856,730) were borne by a related company which is controlled by an executive director of the Company.

29. POST BALANCE SHEET EVENT

On 8 April 2003, Trouble Free Technology Limited and Brainy Technology Limited, both of them are 100% beneficially owned by Mr To Cho Kei, an Executive Director of the Company, has entered a conditional sale and purchase agreement with Wide Source for the sale of 529,421,914 shares, approximately 51.08% issued share of the Company for an aggregate consideration of $7,300,000, equivalent to approximately $0.0138 per share.

Upon completion of the transaction on 14 May 2003, Wide Source becomes the largest single shareholder of the Company.

30. COMPARATIVE FIGURES

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirements of SSAP 15 (revised 2001) "Cash flow statements". As a result, certain advances from banks have been excluded from the definition of cash equivalents, cash flow items from taxation, returns on investments and servicing of finance have been classified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities has been included on the face of the consolidated cash flow statement. Comparative figures have been reclassified to conform with the current year's presentation.

31. ULTIMATE HOLDING COMPANY

The Directors consider the ultimate holding company at 31 March 2003 to be Trouble Free Technology Limited, which is incorporated in the BVI.

Five Year Summary

(Expressed in Hong Kong dollars)

COMPARATIVE TABLES OF RESULTS, ASSETS AND LIABILITIES

The following table summaries the results, assets and liabilities of the Group for each of the last five financial years:

	2003	2002	2001	2000	1999
	$'000	$'000	$'000	$'000	$'000
				(Note)	(Note)
Turnover	**37,698**	35,292	35,628	40,013	25,500
(Loss)/profit from ordinary activities before taxation	**(56,904)**	(54,153)	(29,233)	8,539	1,088
Taxation	**75**	–	(295)	(1,870)	(338)
(Loss)/profit from ordinary activities after taxation	**(56,829)**	(54,153)	(29,528)	6,669	750
Minority interests	**–**	–	987	–	–
(Loss)/profit attributable to shareholders	**(56,829)**	(54,153)	(28,541)	6,669	750
Total assets	**15,777**	71,250	127,131	28,845	
Total liabilities	**(10,340)**	(10,147)	(11,549)	(20,931)	
Net asset	**5,437**	61,103	115,582	7,914	

Note: In the preparation of the accountants' report included in the Prospectus (the "Accountants' Report"), as is the usual practice in respect of accountants' reports included in prospectuses, the financial results of the Group represented the combined results of the Group for the years ended 31 March 1999 and 2000 as if the Group structure set out on page 112 of the Prospectus had been in existence during the relevant period covered by the Accountants' Report.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Systek Information Technology (Holdings) Limited (the "Company") will be held on Friday, 25 July 2003 at 2:30 p.m. at Plaza I-III, Lower Lobby, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong 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 March 2003;

2. To authorize the Board of Directors to fix their remuneration;

3. To re-appoint Auditors and to authorize the Board of Directors to fix their remuneration; and

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

ORDINARY RESOLUTIONS

"**THAT**:

(a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined in this Resolution) of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company or securities convertible into shares or options, warrants or similar rights to subscribe for any shares of the Company and to make or grant offers, agreements, options and right of exchange or conversion which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors of the Company and shall authorize the Directors of the Company during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which would or might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with (whether pursuant to options or otherwise) by the Directors of the Company pursuant to the approval granted in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined in this Resolution); or (ii) the Share Option Scheme or similar arrangement of the Company approved by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"); or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time; or (iv) the exercise of rights of subscription or conversion under the terms of any warrants or convertible bonds issued by the Company or any securities which are convertible into shares of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this Resolution, and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution:

"Relevant Period" means the period from the date of 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 by the laws of the Cayman Islands or any other applicable laws to be held; and

(iii) the date upon which the authority set out in this resolution is revoked or raised by way of ordinary resolution of the Company in general meeting.

"Rights Issue" means an offer of shares in the Company, or offer or issue of warrant, options or other securities giving rights to subscribe for shares open for a period fixed by 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 or any relevant jurisdiction, or the requirements of any recognized regulatory body or any stock exchanges, in any territory outside Hong Kong)."

5. By way of special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

"**THAT**:

(a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase shares of HK$0.10 each in the capital of the Company subject to and in accordance with all applicable laws and requirements of the GEM Listing Rules as amended from time to time be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) shall be in addition to any other authorisation given to the Directors of the Company and shall authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to purchase its shares at a price determined by the Directors;

(c) the aggregate nominal amount of the shares which are authorised to be purchased by the Directors of the Company pursuant to the approval in paragraph (a) shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution, and the said authority shall be limited accordingly;

(d) for the purpose of this resolution:

"Relevant Period" shall have the same meaning as ascribed to it under resolution set out in paragraph 4(d) of the notice convening this Meeting."

6. By way of special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

   "**THAT**:

   conditional upon the passing of the resolutions set out in paragraphs 4 and 5 of the notice convening this Meeting, the general mandate granted to the Directors of the Company pursuant to the resolution set out in paragraph 4 of the notice convening this Meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of share capital of the Company purchased by the Company or securities convertible into shares or options, warrants, or similar rights to subscribe for any shares of the Company under the authority granted pursuant to the resolution set out in paragraph 5 of the notice convening this Meeting, provided that such 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 passing this resolution."

7. To transact any other businesses.

On behalf of the Board

To Cho Kai
Chairman

Hong Kong, 27 June 2003

Notes:

1. A shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more separate proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.

2. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for the holding the Meeting or any adjournment Meeting.

3. With respect to the resolutions set out in paragraphs 4 and 6 of the notice, approval is being sought from Shareholders for general mandates to be given to the Directors to allot, issue and deal with shares of the Company in accordance with the GEM Listing Rules.

4. With respect to the resolution set out in paragraph 5 of the notice, approval is being sought from Shareholders for a general mandate to be given to the Directors to purchase shares of the Company.

5. An explanatory statement containing the information with respect to the resolutions set out in paragraphs of the notice will be sent to the Shareholders together with the 2003 Annual Report.