



交大銘泰軟件實業有限公司*
SJTU SUNWAY SOFTWARE INDUSTRY LIMITED

(incorporated in the Cayman Islands with limited liability)

A word cloud background with various languages including Danish, French, Swedish, Spanish, Italian, and German. The words are in different colors and sizes, creating a dynamic and international feel.

ANNUAL REPORT 2003

* for identification only

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Corporate Information

DIRECTORS

Executive Directors

Mr. Sze Wai, Marco, *Chairman*
 Mr. He En Pei, *Chief executive officer*
 Mr. Chu Chi Shing
 Mr. Chiu Chi Shun, Clarence
 Mr. Shang Guan Bu Yan
 Mr. Chen Si Gen
 Mr. Wang Hui Bo
 Mr. He Zhan Tao
 Mr. Chen Cheng Ping

Independent non-executive Directors

Mr. Song Jing Sheng
 Mr. Wang Tian Ye

COMPANY SECRETARY

Ms. Wong Tik, *AHKSA*

QUALIFIED ACCOUNTANT

Ms. Wong Tik, *AHKSA*

AUDIT COMMITTEE

Mr. Song Jing Sheng
 Mr. Wang Tian Ye

AUTHORISED REPRESENTATIVES

Mr. Chu Chi Shing
 Mr. He En Pei

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 2003 and 2005, 20th Floor
 Great Eagle Centre
 No. 23 Harbour Road
 Wanchai
 Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

Room 601
 No. 6, Zhong Guan Cun, South Street
 Zhong Dian Information Building
 Hai Dian District
 Beijing 100086
 PRC

COMPLIANCE OFFICER

Mr. Chu Chi Shing

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
 3rd Floor, 36C Bermuda House
 P.O. Box 513G.T.
 Dr. Roy's Drive
 George Town
 Grand Cayman
 British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

SPONSOR

Core Pacific – Yamaichi Capital Limited

AUDITORS

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

PRINCIPAL BANKERS

China Construction Bank
 Beijing City Commercial Bank
 Citic Industrial Bank
 Fujian Industrial Bank

STOCK CODE

8148

Chairman's Statement

To Our Shareholders

On behalf of the board of Directors (the "Board"), I am pleased to present the first annual report of SJTU Sunway Software Industry Limited (the "Company") and its subsidiaries (the "Group" or "SJTU Sunway") and its audited financial results for the financial year ended 31st December, 2003.

2003 marks an important milestone in the corporate history of the Group. Taking advantage of the immense business opportunities in the information localisation industry in the People's Republic of China ("PRC"), the Group, with our strong business foundations, has been able to seize a head-start by restructuring our business strategy. By introducing "Lingoworld", an internet-based translation service platform, the Group is successfully exploring business opportunities in consumer-oriented information localisation services. Leveraging on our professional expertise and rich experience in translation software development and our prestigious "Oriental" brand name, we expect this business will further extend our revenue stream.

The full operation of "Lingoworld" has not only received a positive response from corporate users, professional translation houses and personal users, but it has also rapidly grown into a prestigious brand name in the PRC's information localisation industry. This development reflects the visionary insight of our management team and marks an important breakthrough in the Group's business expansion into the information localisation industry.

Leveraging on our unique business model in information localisation, the Group, for the first time, was nominated in the Asia Pacific Fast 500 Programme organised by Deloitte Touche Tohmatsu in 2003. The award not only marks our outstanding performance in R&D, but it also gives our management strong encouragement and support, boosting our confidence in customer-oriented services further breakthroughs in the information localisation industry.

This year also marks an important milestone for the Group with our successful listing on the GEM on 9th January, 2004 and it is a significant move in our long-term business development. It provides a golden opportunity for the Group to take a major step forward into the international market and it also provides the Group with important financial support. The listing, on an international capital market, will lay down strong financial foundations for our future business expansion.

Looking ahead, we are highly confident with regard to the PRC's information localisation industry. The PRC's accession to the World Trade Organisation and increased business connections within the international markets around the world provide immense business opportunities for the information localisation industry in the PRC. Leveraging on our valuable R&D achievements and business experience over the past few years, as well as our professional and leading corporate image established through the "Oriental" brand name, we are confident that we will be able to seize the opportunities ahead, establish our leadership in the PRC information localisation industry while at the same time broaden our visibility overseas.

Chairman's Statement

Appreciation

I am highly encouraged that the Group has achieved such substantial results under our new business strategy, enhancing our professionalism, maturity and customer-orientation. We expect 2004 to be a year of opportunity for us. We are confident that our new business model will demonstrate our total competence and establish more robust business foundations. We look forward to achieving even greater success in the next financial year, bringing satisfactory returns to both investors and shareholders. Last but not least, I would like to take this opportunity to extend my gratitude to our customers, staff members, shareholders and investors for their support over the past year.

Sze Wai, Marco

Chairman

Hong Kong, 26th March, 2004

Management Discussion and Analysis

FINANCIAL REVIEW

Overall Review

During the year ended 31st December, 2003, the Group successfully implemented its strategic business restructuring, evolving from a software products provider into a customer-oriented information localisation services provider. However, during the restructuring period, the economy of the PRC and the Greater China Region was battered by the outbreak of Severe Acute Respiratory Syndrome ("SARS"). Difficulties were further compounded by the fact that information localisation business was in the initial stage of its development. Affected by these factors, the Group recorded a turnover of approximately HK\$35.5 million for the year ended 31st December, 2003, representing a drop of 13% from the fiscal year 2002. Nevertheless, profit from operations increased from approximately HK\$8.6 million for the year 2002 to approximately HK\$8.9 million for the year 2003. As a result of the increase in finance costs, profit attributable to shareholders showed a slight decrease from HK\$8.8 million recorded in fiscal year 2002, to approximately HK\$8.1 million in fiscal year 2003. Driven by the Group's business restructuring, and the higher margins in the information localisation business, the gross profit margin increased from 63% to 66% during the year, proving that the strategic deployment of the Group's business development is a great success.

Segment Results

With the Group's strategic business transformation during the year and forging ahead in the information localisation business, the turnover of the translation services increased to approximately HK\$4.6 million, an increase of 18 times from that of year 2002.

However, during this business transformation period, due to the outbreak of SARS, the sales performance of the general software and licensing fee decreased from approximately HK\$30.6 million and HK\$7.2 million to approximately HK\$22.1 million and HK\$5.9 million respectively for the year ended 31st December, 2003, representing decreases by 28% and 17% respectively from the fiscal year 2002.

Financial Resources and Liquidity

The Group continued to improve financial resources and liquidity over the past 12 months. As at 31st December, 2003, the Group had bank balances and cash of approximately HK\$17.2 million (2002: approximately HK\$1.8 million).

As at 31st December, 2003, the outstanding bank loan of the Group amounted to approximately HK\$8.5 million (2002: HK\$8.5 million), bearing interest of 5.84% (2002: 5.84%) per annum and the bank loan had been fully repaid in March 2004. As at 31st December, 2003, the total asset value of the Group was approximately HK\$74.7 million (2002: approximately HK\$47.8 million) whereas the total liabilities was approximately HK\$21.2 million (2002: approximately HK\$16.2 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 28% (2002: 34%).

Management Discussion and Analysis

Foreign Exchange Exposure

Since most of the income and expenses as well as assets and liabilities of the Group are denominated in Renminbi, the Directors consider the Group has no material foreign exchange exposure.

Charge on Group Assets

As at 31st December, 2003 and 2002, the Group did not have any charge on its assets.

Acquisition and Disposal of Subsidiaries

On 22nd March, 2004, the Group entered into an articles of association with 廈門實達巨龍信息技術有限公司(Xiamen Start Dragon Information Technology Company Limited), a subsidiary of a substantial shareholder of the Company for the establishment of a new subsidiary, 福建多語翻譯服務有限公司(Fujian Multi Language Translation Service Company Limited) ("Fujian MLTS") whose principal activity is the provision of translation services, consultancy and related business, development of computer software and design of websites. The Group will hold a 75% equity interest in Fujian MLTS and is required to contribute proportionately RMB3.75 million in the registered capital of Fujian MLTS. Details of the transaction are set out in the Company's announcement dated 22nd March, 2004.

Significant Investments

As at 31st December, 2003 and 2002, the Group did not have any significant investments held.

Contingent Liabilities

The Group had no material contingent liabilities as at 31st December, 2003 and 2002.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2003.

BUSINESS REVIEW

With regard to the general software business, to support the information localisation business and cater for the needs of our customers, the Company reallocated resources during the year and concentrated on the development and upgrade of the functions and quality of our translation software, including our computer-aided translation software (Yaxin CAT and Yaxin CATS), instant and automatic translation software (Oriental Express) and dictionary translation software (Oriental EasyDict). At the same time, other software products, such as our information security software, Internet applications software and entertainment software, also performed steadily. Turnover in the general software sector reached HK\$22.1 million, accounting for approximately 62% of total turnover. To reduce sale and promotional costs of this general software business, the Group had gradually altered sales strategies through agent's distribution. In the licensing fee sector, hardware products faced furious competition. Developers were therefore minimizing costs and attaching less software to their computers. The Group accordingly reduced investment in this business sector.

Management Discussion and Analysis

The PRC's economy is growing rapidly, catching the attention of foreign investors around the world. Moreover, as more international enterprises are entering into the PRC, the demand for translation services is increasing. In addition, the PRC's pillar industries, such as the automobile, energy, information technology and mass media industries are developing at a rapid pace. These factors are further fueling the need for quality translation services. To tap this significant market demand, SJTU Sunway successfully developed translation and information localisation business through the self-developed translation platform "Lingoworld", which has extended the Group's revenue streams. The Group will further develop this business sector, turning it into a growth driver for the Group.

Driven by the full operation of Lingoworld, the information localisation business performed well during the year, with turnover totalling HK\$4.6 million. Lingoworld possesses 140 customers, most of which are coming from the electricity, automobile, information technology and architecture sectors. These corporate customers include Changchun FAW, Lenovo and The People's Bank of China. A number of professional translation houses, including the Compilation and Translation Bureau of the Central Committee, Translation Association of the Central Committee and Beijing Oriental Sun Translation Company, are also customers of the Group.

The Group's leading research and development capabilities and unique functions are vital to the success of Lingoworld. Lingoworld embraces state-of-art technologies which include the GMS and Yaxin CATS multi-translation management system. The Group also finalised a distributed function translation ("DFT") management system. This particular system allows a single translation project to be conducted in different locations, in coordination with each other through the full use of DFT. This technology has upgraded the efficiency and quality of the Group's translation business. The Lingoworld platform provides cross-regional, multi-lingual and most important of all, interactive translation services to professional translation houses, corporate and personal users. Lingoworld's translation database covers 74 professional industries, with approximately 7 million lexical terms and, currently, Lingoworld's processing speed has been reaching up to 1.2 million words per day. The database will be further building up automatically through the translation process. Lingoworld also has an abundant and increasing pool of over 1,800 well-chosen professional translators.

Management Discussion and Analysis

EMPLOYEE INFORMATION

Number of Employees

A breakdown of the number of employees of the Group by function as at 31st December, 2003 and 2002 is set out below:

	31st December, 2003	31st December, 2002
Management	15	15
Research and Development	59	59
Sales and Marketing	63	92
Administration and Finance	13	14
	<hr/>	<hr/>
Total	150	180

Remuneration of Employees and Policies

The Group has maintained good relations with its staff and has not experienced any disruption of its operations due to labour disputes. The Group provides fringe benefits in accordance with the relevant laws and regulations of the PRC and Hong Kong including contributions to society security scheme of the PRC and the contributions to the Mandatory Provident Fund Scheme of Hong Kong.

Total remuneration incurred for the year ended 31st December, 2003 amounted to approximately HK\$6.6 million (2002: approximately HK\$4.2 million) due to the fact that less staff costs were capitalised as intangible assets compared to 2002. The Directors received remuneration of HK\$620,457 during the year ended 31st December, 2003 (2002: HK\$293,627).

PROSPECTS

We are highly confident in the growth of the PRC's information localisation industry in the future. With the favourable market sentiment initiated by the PRC's accession to the World Trade Organisation, the 2008 Beijing Olympic Games and the 2010 Shanghai EXPO, information exchange between the PRC and the rest of the world will further increase, nurturing the huge market potential in the information localisation industry. According to the Allied Business Intelligence ("ABI") report published in the second quarter of 2001, the Asia translation market already reached RMB11 billion in 2001. By 2005, the market is expected to expand to RMB20 billion, with the PRC accounting for approximately 30% of the total market value. As the PRC translation industry is still in the early stages of development and the newly introduced information localisation service is yet to be formulated, immense business opportunities are available which greatly favours the future business expansion of the Group.

Management Discussion and Analysis

Our aim is to be the leading information localisation specialist in the PRC with “Lingoworld” targeted to be one of the best information localisation brand names through different marketing channels. The Group will continue to increase the performance of “Lingoworld”, strengthen the language database and increase efficiencies in collecting and renewing vocabularies through our automated systems. We are also planning to expand our pool of translation specialists and to improve the quality, efficiency and management of translation services. We will continue to improve our software quality to stay competitive in the translation software industry. Last but not least, the Group is aggressively seeking potential strategic alliances to achieve synergies in both product R&D and quality of service.

To capture the opportunities ahead and to achieve future growth, the Group will continue to promote the “Lingoworld” brand name through a series of marketing promotion activities. The Group will further promote the unique functions of the Lingoworld platform to office software and system companies for integrating Lingoworld into their software and hardware systems so as to expand our client base. On 22nd March, 2004, the Group, through our wholly owned subsidiary 交大銘泰(北京)軟件有限公司 (“SJTU Sunway (Beijing)”), entered into an articles of association for the establishment of a new company, Fujian MLTS. SJTU Sunway (Beijing) will hold a 75% equity interest in Fujian MLTS. The Group believes that the establishment of Fujian MLTS can increase the market coverage of translation software and services in the PRC.

As an information localisation provider with an international outlook, we will continue to make use of our experience and market advantages in the PRC for future business expansion overseas. Starting in Hong Kong and North America, we will place a strong business focus on our established translation services. For instance, we will be allocating much of our resources in the financial market, taking full advantage of its highly repetitive translation formats. These services will in turn demonstrate the competitiveness of our “Lingoworld” translation service platform.

We will also place an equal emphasis on improving our sales and distribution strategy. We are confident that the turnover of our internet-based sales and services will increase in the near future.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. SZE Wai, Marco (史偉), aged 38, is the chairman of the Group and is responsible for formulating the Group's business strategies. In the past 15 years, Mr. Sze has been actively involved in the investment and management of companies involving manufacturing, property development and investment, transportation, trading and IT. Mr. Sze joined the Group in September 2001 and is also the Chairman of Start Technology Company Limited ("Start Technology").

Mr. HE En Pei (何恩培), aged 34, is an executive Director and the Chief Executive Officer of the Group is responsible for strategic planning and supervision of the overall operation of the Group. Mr. He is the elder brother of Mr. He Zhan Tao. Mr. He graduated from Huazhong University of Science & Technology (華中理工大學) with a master's degree in Electronic Materials and Components in June 1995. Mr. He has been a practitioner in the field of information technology and has gained five years of experience in corporate management. Mr. He served as the chief officer of Advanced Technology (Zhuhai) Co. Ltd.* (珠海南科電子有限公司) for one year supervising the testing, research and development and production departments. He was also the vice-president of Beijing Hong Da Electronic and Technology Centre* (北京鴻達電子新技術研究所) from September 1996 to September 1997. Mr. He was nominated as the Year 99 PRC Top Ten IT Icons (99中國十大IT風雲人物). The name and experiences of Mr. He has been written into the "The History of One Hundred Outstanding Entrepreneurs in China – 2001" (中國2001年百名優秀企業家創業史名錄). Mr. He worked in the Group since August 1998.

Mr. CHU Chi Shing (朱至誠), aged 36, joined the Group in June 2000 and is an executive Director and is responsible for formulating the marketing strategies of the Group. Mr. Chu graduated from Shanghai Jiao Tong University (上海交通大學) with a bachelor's degree in Computer Science in July 1989. He gained many years of experiences in the computer industry. Mr. Chu is also the executive director of Start Technology.

Mr. CHIU Chi Shun, Clarence (趙嗣舜), aged 38, is an executive Director and is responsible for formulating the Group's business strategies. Mr. Chiu obtained a diploma in business management from the Chinese University of Hong Kong in 1998 and gained extensive experiences in project investment, corporate planning and management and project finance. Mr. Chiu joined the Group in November 2000. Mr. Chiu is also the executive director of Start Technology.

Mr. SHANG GUAN Bu Yan (上官步燕), aged 41, joined the Group in early 2002 and is an executive Director of the Company. He is responsible for formulating the marketing strategies of the Group. Mr. Shang Guan graduated from National University of Defense Technology (中國人民解放軍國防科學技術大學) with a master's degree in Science in December 1991. He has over 10 years of experience in the computer industry in the PRC. Mr. Shang Guan was once a senior management of Start Technology. Before joining Start Technology, he has been a managing director of Fujian Star System Integration Co., Ltd. (福建實達系統集成公司).

*Directors and Senior Management***DIRECTORS** *(Continued)***Executive Directors** *(Continued)*

Mr. CHEN Si Gen (陳思根), aged 38, an executive Director and is responsible for the business development of the Group. Mr. Chen graduated from Shanghai Jiao Tong University (上海交通大學) with a master's degree in Materials Science and Engineering in March 1994. Mr. Chen is experienced in project investment and management, corporate planning and project finance. Mr. Chen is a director and general manager of SJTU Venture Capital Co., Ltd. (上海交大創業投資有限公司). Mr. Chen joined the Group in September 2002.

Mr. WANG Hui Bo (王慧波), aged 30, an executive Director and is responsible for the business development of the Group. Mr. Wang graduated from Shanghai Jiao Tong University (上海交通大學) with a master's degree in International Trade in January 2002. Mr. Wang has extensive experience in corporate and investment management. Mr. Wang is a director and general manager of Simplex Technology Investment (Hong Kong) Co. Limited ("Simplex") (香港思源科技投資有限公司) and SJTU Software Investment Co., Limited (上海交大軟件產業投資有限公司). Mr. Wang joined the Group in September 2002.

Mr. HE Zhan Tao (何戰濤), aged 30, an executive Director and Vice-President of the Group, is responsible for overseeing the product development of the Group. Mr. He is the younger brother of Mr. He En Pei. Mr. He graduated from Huazhong University of Science & Technology (華中理工大學) majoring in Computer Science and Engineering in July 1994. He was also the vice-president of Beijing Hong Da Electronic and Technology Centre* (北京鴻達電子新技術研究所) from April 1996 to July 1997. Mr. He has over 10 years of experience in software development. Mr. He worked in the Group since August 1998.

Mr. CHEN Cheng Ping (陳承平), aged 32, is an executive Director and is responsible for formulating the marketing strategies of the Group. Mr. Chen obtained a bachelor's degree in Mathematics from Fujian Normal University (福建師範大學) in June 1992. Prior to joining the Group in late 2001, Mr. Chen gained five years of experience in the computer industry and three years of experience in corporate and investment management.

Directors and Senior Management

DIRECTORS (Continued)

Independent Non-Executive Directors

Mr. WANG Tian Ye (王天也), aged 45, is an independent non-executive Director of the Company. Mr. Wang graduated from Macquarie University, Australia with a master's degree in Applied Finance and is a senior Associate of Australian Institute of Banking and Finance in April 1996. Mr. Wang had served the Bank of China, Beijing Branch, for more than ten years and was once the deputy general manager of the Sydney Branch. He has extensive experiences in the banking industry and investment in the PRC and Australia. Mr. Wang was appointed by the Group in November 2003.

Mr. SONG Jing Sheng (宋京生), aged 45, an independent non-executive Director of the Company. Mr. Song graduated from the postgraduate school of Chinese Academy of Social Sciences (中國社會科學院) majoring in Finance in July 1998. Mr. Song has extensive experience in the banking and finance industry in the PRC. Currently, he is not under any employment. Mr. Song was appointed by the Group in November 2003.

MANAGEMENT

Senior Management

Mr. NIU Jie (牛杰), aged 29, is the Vice-President for the Group's strategic development department, and responsible for the strategic development and overseas sales and marketing of the Group. Mr. Niu graduated from Anhui University (安徽大學) majoring in Computer Application. Mr. Niu gained over 5 years of experience in the field of information technology and was the senior economist of the Beijing Applied Science Institute (北京應用科學院高級經濟師). Mr. Niu also served as the manager of the marketing department of Beijing Hong Da Electronic and Technology Centre* (北京鴻達電子新技術研究所) from September 1996 to August 1997. Mr. Niu joined the Group in September 1997.

Ms. YAN Li Li (閻栗麗), aged 31, is the general manager of the Group's translation business department. Ms. Yan graduated from Kunming Engineering Institute (昆明工學院) with a bachelor's degree in Civil Engineering. She served as the manager of the development and planning department of Beijing Hong Da Electronic and Technology Centre* (北京鴻達電子新技術研究所) from October 1996 to September 1997. Ms. Yan has worked in the Group since August 1998.

Mr. WANG Yong (王勇), aged 32, is the software engineer of the Group. He is in charge of the development of one of the core product lines of the Group, namely the translation or information localisation software line. Mr. Wang graduated from "Shanxi Jiao Tong School" (山西省交通學校) with specialisation in engineering quantity survey (工程質量檢測). Mr. Wang has worked in the Group since August 1998.

Directors and Senior Management

MANAGEMENT (Continued)

Senior Management (Continued)

Mr. BAO Wei (包偉), aged 34, software engineer of the Group, is responsible for the development of one of the core product lines of the Group, namely the entertainment product lines. Mr. Bao graduated from Tsinghua University (清華大學) with a master's degree in Electrical Theory. He joined the Group in January 1999.

Mr. HAN Zhao Qiang (韓兆強), aged 34, software engineer of the Group, is in charge of the development of one of the core product lines of the Group, namely the computer information security software line. Mr. Han graduated from Beijing University of Posts & Telecommunications (北京郵電大學) as a research student of a master's degree program in Computer Application. He joined the Group in May 2000.

Mr. SHI Xin (石鑫), aged 28, is in charge of quality assurance of the Group's products and is responsible for the development of one of the core product lines of the Group, namely the Internet application product line. Mr. Shi joined the Group in November 2000. He graduated from Shandong Finance Institute (山東財政學院) with a bachelor's degree in marketing.

Mr. PIAO Sheng Gen (樸聖根), aged 33, is President for the Group's marketing department. Mr. Piao graduated from the Beijing Agricultural Engineering University (北京農業工程大學) with a bachelor's degree in Automobile and Tractor Engineering (汽車與拖拉機專業). Mr. Piao gained five years of experience in the field of information technology and worked in Beijing Sina Internet Information Service Co. Ltd. (北京新浪互聯信息股份有限公司) for one year before joining the Group. Mr. Piao joined the Group in July 1999.

Ms. AN Jie (安杰), aged 34, is the financial controller of the Group in the PRC. Ms. An graduated majoring in Accountancy from Renmin University of China (中國人民大學) and is a PRC's qualified accountant (會計師資格). Ms. An had served as the manager of the finance department of Beijing Rui Yi Industrial Development Co. Ltd.* (北京市銳意工貿發展有限公司) for more than three years prior to joining the Group in August 1998.

Ms. WANG Wen Li (王文立), aged 34, is the human resources manager of the Group. Ms. Wang graduated from Capital University of Economics and Business (首都經濟貿易大學) majoring in Accountancy. She joined the Group in September 2000. Prior to joining the Group, Ms. Wang worked in the marketing department of one of the biggest insurance companies in the PRC, China Life Insurance Company (中國人壽保險公司) for over five years responsible for human resources matters.

Company Secretary

Ms. WONG Tik (黃荻), aged 32, is the company secretary of the Company. Ms. Wong has over eight years of experience in auditing and accounting and she is an associate member of the Hong Kong Society of Accountants.

Report of the Directors

The Directors have pleasure in submitting their first report together with the audited financial statements of the Company for the year ended 31st December, 2003.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 28th June, 2002 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation") which was completed on 25th November, 2003 to rationalise the group structure in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation and the basis of presentation of the financial statements are set out in note 1 and note 2 on the financial statements and in the prospectus of the Company dated 30th December, 2003 (the "Prospectus").

The shares of the Company were listed on GEM on 9th January, 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company is investment holding and the Group is principally engaged in the development and sale of general software and custom-made solutions.

An analysis of the principal activities of the operations of the Group during the financial year are set out in note 14 on 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	10%	
Five largest customers in aggregate	32%	
The largest supplier		15%
Five largest suppliers in aggregate		40%

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

*Report of the Directors***FINANCIAL STATEMENTS**

The profit of the Group for the year ended 31st December, 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 63.

The Directors do not recommend the payment of a dividend for the year ended 31st December, 2003.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 25 on the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December, 2003, the Company's reserves available for distribution calculated in accordance with the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to HK\$12,776,684. These reserves may be distributed provided that immediately following the date on which the distribution is proposed to be made, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 15 on the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the financial year are set out in note 24 on the financial statements.

*Report of the Directors***DIRECTORS**

The Directors during the financial year were:

Executive Directors

Mr. Sze Wai, Marco, <i>Chairman</i>	(appointed on 25th November, 2003)
Mr. He En Pei, <i>Chief Executive Officer</i>	(appointed on 25th November, 2003)
Mr. Chu Chi Shing	(appointed on 8th July, 2002)
Mr. Chiu Chi Shun, Clarence	(appointed on 8th July, 2002)
Mr. Shang Guan Bu Yan	(appointed on 25th November, 2003)
Mr. Chen Si Gen	(appointed on 25th November, 2003)
Mr. Wang Hui Bo	(appointed on 25th November, 2003)
Mr. He Zhan Tao	(appointed on 25th November, 2003)
Mr. Chen Cheng Ping	(appointed on 25th November, 2003)

Independent non-executive Directors

Mr. Song Jing Sheng	(appointed on 25th November, 2003)
Mr. Wang Tian Ye	(appointed on 25th November, 2003)

In accordance with article 108 (A) of the Company's articles of association, one-third of the Directors for the time being, other than a Director holding office as Chairman or Deputy Chairman, shall retire at each Annual General Meeting from office by rotation. Further, according to article 112 of the articles of association of the Company, any director appointed by the Directors to fill a casual vacancy in the Company, under that article, shall hold office only until the next following Annual General Meeting and shall then be eligible for re-election at the meeting.

Accordingly, Mr. Chu Chi Shing, Mr. Chiu Chi Shun, Clarence and Mr. Shang Guan Bu Yan will retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial terms of three years commencing from 1st November, 2003, and is automatically renewable for successive terms of one year upon expiry of the then current term, until terminated by not less than three months' notice in writing served by either party or the other.

The independent non-executive Directors have been appointed for a term of two years commencing from 25th November, 2003.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 9th January, 2004 (being the date on which shares of the Company first commenced trading on GEM), none of the Directors had any interest and short position in the shares of the Company ("Shares") or underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO), or which would required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTEREST

A. Substantial Shareholders

So far as is known to the Directors, as at 9th January, 2004 (being the date on which shares of the Company first commenced trading on GEM), the following entities had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and who were, directly or indirectly, interested in 10 per cent. or more of the Shares:

Name	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding
Futart Industry Company Limited ("Futart")	Beneficial owner	64,355,828(L)	32.18%
Start Technology Company Limited ("Start Technology")	Interest of a controlled corporation (note 2)	64,355,828(L)	32.18%
Simplex Technology Investment (Hongkong) Co. Limited ("Simplex")	Beneficial owner	22,528,484(L)	11.26%
Shanghai Jiaoda Industrial Investment Management (Group) Limited ("Jiaoda Industrial Group")	Interest of a controlled corporation (note 3)	22,528,484(L)	11.26%
Shanghai Jiao Tong University	Interest of a controlled corporation (note 3)	22,528,484(L)	11.26%
Hongkong Sunway Technology Development Limited ("HK Sunway")	Beneficial owner	20,157,757(L)	10.08%

Report of the Directors

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTEREST (Continued)

Notes:

1. The letter "L" denotes the entity's interests in the Shares.
2. The interest in the Shares is held through Futart, the entire issued share capital of which is beneficially owned by Start Technology, a company whose shares are listed on the Main Board of the Stock Exchange. The issued share capital of Start Technology is owned as to approximately 30.05 per cent. by Leading Value Industrial Limited which is in turn owned as to 50 per cent. by Mr. Sze Wai, Marco, an executive Director and 50 per cent. by Mr. Li Kwong Keung.
3. The interests in the Shares is held through Simplex, the entire issued share capital of which is beneficially owned by Jiaoda Industrial Group. The registered capital of Jiaoda Industrial Group is owned as to 96.735% by Shanghai Jiao Tong University and 3.265% by Shanghai Jiaoda Enterprise Management Centre* (上海交大企業管理中心), an entity wholly owned by Shanghai Jiao Tong University.

B. Other persons who are required to disclose their interests pursuant to Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors, as at 9th January, 2004 (being the date on which shares of the Company first commenced trading on GEM), save for the entities disclosed in sub-paragraph A above, the following entities/persons had an interest or short position in the Shares and the 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 SFO:

Name of shareholder	Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding
Dignet Investment Limited ("Dignet")	Beneficial owner	14,653,812(L)	7.33%
Optipure Industries Limited ("Optipure")	Interest of a controlled corporation (note 2)	14,653,812(L)	7.33%
Mr. Ko Wing Leung, Stephen ("Mr. Ko")	Interest of a controlled corporation (note 2)	14,653,812(L)	7.33%

Notes:

1. The letter "L" denotes the person's/entity's interests in the Shares.
2. The interests in the Shares is held through Dignet, the entire issued share capital of which is beneficially owned by Optipure, which is in turn beneficially owned by Mr. Ko.

*Report of the Directors***SHARE OPTION SCHEME**

The Company operates a share option scheme (the "Scheme") which was adopted on 25th November, 2003 whereby the Directors of the Company may at their discretion invite any employee, directors, suppliers, customers, advisers, consultants, joint venture partners, and any shareholders of any members of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity, to take up options to subscribe for Shares. The Scheme became effective upon the listing of the Company's shares on the GEM of the Stock Exchange on 9th January, 2004. No options had been granted to any directors or employees under the Scheme up to the date of this report.

SPONSOR'S INTEREST

Pursuant to the sponsor agreement dated 31st December, 2003 entered into between the Company and Core Pacific – Yamaichi Capital Limited ("CPY Capital"), CPY Capital will receive fees for acting as the Company's continuing sponsor for the period from 9th January, 2004 to 31st December, 2006 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

At 31st December, 2003, as notified and updated by CPY Capital pursuant to Rule 6.35 of the GEM Listing Rules, CPY Capital, its directors, employees or associates, did not have any interest in the share capital of the Company or any of its subsidiaries, or any right to subscribe for or to nominate persons to subscribe for the share capital of the Company or any of its subsidiaries.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the transactions in connection with the Reorganisation and the related party transactions as disclosed in note 28 on the financial statements, no contract of significance to which the Company, any of its subsidiaries or fellow subsidiaries was a party, in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under the law in the Cayman Islands.

BANK LOAN

Particulars of bank loan of the Group as at 31st December, 2003 are set out in note 22 on the financial statements.

*Report of the Directors***THREE YEARS FINANCIAL SUMMARY**

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

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 23 on the financial statements.

COMPETING INTERESTS

None of the Directors and management and shareholders of the Company (within the meaning of the GEM Listing Rules) has an interest in any business which competes or may compete with the business in which the Company is engaged.

CHANGE OF QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Ms. Cheung Sui Ping resigned as the Company Secretary and Qualified Accountant of the Company on 29th January, 2004. Ms. Wong Tik has been appointed as the Company Secretary and Qualified Accountant with effect from 29th January, 2004.

AUDIT COMMITTEE

The Company set up an audit committee on 25th November, 2003 with written terms of reference in compliance with the requirements as set out in Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and provide supervision over the financial reporting process and internal controls of the Group. The audit committee comprises two independent non-executive Directors, namely Mr. Song Jing Sheng and Mr. Wang Tian Ye and Mr. Wang Tian Ye is the chairman of the audit committee. Since the shares of the Company were listed on the GEM of the Stock Exchange on 9th January, 2004, the audit committee had not held any meeting during the year under review. The audit committee held an meeting in March 2004 to review the financial statements for the year ended 31st December, 2003 and are of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures since its shares were listed on the GEM of the Stock Exchange on 9th January, 2004.

*Report of the Directors***PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

The Company's shares were listed on the GEM of the Stock Exchange on 9th January, 2004 and accordingly, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31st December, 2003.

CONNECTED TRANSACTION

On 15th November, 2003, the Group entered into a licence agreement with Start Technology, an initial management shareholder and substantial shareholder of the Company, whereby Start Technology agreed to grant a licence to the Group for the non-exclusive use of the principal place of business of the Group in Hong Kong at an annual licence fee of HK\$240,000 (inclusive of management charge) for an initial term which has expired on 15th January, 2004. The term of such licence has been renewed for one year and will expire on 14th January, 2005.

AUDITORS

KPMG were first appointed as auditors of the Company since its incorporation on 28th June, 2002.

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Sze Wai, Marco

Chairman

Hong Kong, 26th March, 2004

Comparison of Business Objectives with Actual Business Progress

As the Company was first listed on the GEM on 9th January, 2004, there is no comparison for the business objectives for the review periods stated in the Prospectus, and the actual business progress in respect of the year ended 31st December, 2003.

Auditors' Report



Auditors' report to the shareholders of SJTU Sunway Software Industry Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 24 to 63 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, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31st December, 2003 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants
Hong Kong, 26th March, 2004

Consolidated Income Statement

For the year ended 31st December, 2003 (Expressed in Hong Kong dollars)

	Note	2003 HK\$	2002 HK\$
Turnover	4	35,502,319	40,614,887
Cost of sales		(11,910,108)	(15,113,833)
Gross profit		23,592,211	25,501,054
Other revenue	5	2,246,769	3,085,397
Selling expenses		(8,246,410)	(11,214,800)
Research and development costs	6	(2,545,448)	(2,694,059)
Administrative expenses		(6,185,542)	(6,039,075)
Profit from operations		8,861,580	8,638,517
Net finance (costs)/income	7(i)	(208,037)	122,379
Profit from ordinary activities before taxation	7	8,653,543	8,760,896
Taxation	8(a)	(509,068)	–
Profit attributable to shareholders		8,144,475	8,760,896
Earnings per share	13		
Basic		6.26 cents	6.74 cents
Diluted		N/A	N/A

The notes on pages 30 to 63 form part of these financial statements.

Consolidated Balance Sheet

At 31st December, 2003 (Expressed in Hong Kong dollars)

	Note	2003 HK\$	2002 HK\$
Non-current assets			
Fixed assets	15	1,526,840	2,492,690
Intangible assets	16	3,513,577	4,007,672
		<u>5,040,417</u>	<u>6,500,362</u>
Current assets			
Inventories	18	2,161,335	5,135,298
Trade and other receivables	19	50,288,760	28,118,560
Loans to related party	28(b)	–	6,207,877
Cash and cash equivalents	20	17,162,442	1,841,803
		<u>69,612,537</u>	<u>41,303,538</u>
Current liabilities			
Trade and other payables	21	12,529,486	7,692,227
Bank loan (unsecured)	22	8,490,566	8,490,566
Taxation		188,075	–
		<u>21,208,127</u>	<u>16,182,793</u>
Net current assets		<u>48,404,410</u>	<u>25,120,745</u>
NET ASSETS		<u>53,444,827</u>	<u>31,621,107</u>
CAPITAL AND RESERVES			
Share capital	24	200,000	77,800
Reserves	25	53,244,827	31,543,307
		<u>53,444,827</u>	<u>31,621,107</u>

Approved and authorised for issue by the board of directors on 26th March, 2004.

Sze Wai, Marco
Chairman

He En Pei
Chief Executive Officer

The notes on pages 30 to 63 form part of these financial statements.

Balance Sheet

At 31st December, 2003 (Expressed in Hong Kong dollars)

	Note	2003 HK\$	2002 HK\$
Non-current assets			
Interest in subsidiaries	17	<u>8,029,992</u>	–
Current assets			
Trade and other receivables	19	10,598,178	3,966,987
Cash and cash equivalents	20	<u>1,806</u>	–
		<u>10,599,984</u>	<u>3,966,987</u>
Current liabilities			
Trade and other payables	21	5,653,292	–
Amounts due to a shareholder		–	3,966,987
		<u>5,653,292</u>	<u>3,966,987</u>
Net current assets		<u>4,946,692</u>	–
NET ASSETS		<u>12,976,684</u>	–
CAPITAL AND RESERVES			
Share capital	24	200,000	–
Reserves	25	<u>12,776,684</u>	–
		<u>12,976,684</u>	–

Approved and authorised for issue by the board of directors on 26th March, 2004.

Sze Wai, Marco
Chairman

He En Pei
Chief Executive Officer

The notes on pages 30 to 63 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2003 (Expressed in Hong Kong dollars)

	Note	2003 HK\$	2002 HK\$
Shareholders' equity at the beginning of year		<u>31,621,107</u>	<u>22,860,211</u>
Net profit for the year	25	<u>8,144,475</u>	<u>8,760,896</u>
Movements in shareholders' equity:			
Capital elimination on consolidation	24	(77,800)	–
Issuance of shares for the acquisition of a subsidiary	24	200,000	–
Net share premium received	25	<u>13,557,045</u>	–
Net increase in shareholders' equity arising from capital transactions with shareholders		<u>13,679,245</u>	–
Shareholders' equity at the end of year		<u>53,444,827</u>	<u>31,621,107</u>

The notes on pages 30 to 63 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December, 2003 (Expressed in Hong Kong dollars)

	2003	2002
Note	HK\$	HK\$
Operating activities		
Profit from ordinary activities before taxation	8,653,543	8,760,896
Adjustments for:		
Amortisation of development costs	1,850,318	1,337,524
Depreciation	715,688	838,795
Loss on disposal of fixed assets	72,611	7,063
Net finance costs/(income)	208,037	(122,379)
Provision for bad and doubtful debts	–	408,583
(Written back)/provision for inventories	(436,086)	21,402
	<hr/>	<hr/>
Operating profit before changes in working capital	11,064,111	11,251,884
Decrease/(increase) in inventories	3,410,049	(3,589,452)
Increase in trade and other receivables	(22,170,200)	(13,576,371)
Increase in trade and other payables	9,698,532	5,185,125
	<hr/>	<hr/>
Cash generated from/(used in) operating activities	2,002,492	(728,814)
PRC income tax paid	(320,993)	–
	<hr/>	<hr/>
Net cash from/(used in) operating activities	1,681,499	(728,814)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Investing activities		
Payment for purchase of fixed assets	(386,521)	(939,667)
Proceeds from sales of fixed assets	564,072	–
Expenditure on development projects	(1,356,223)	(3,334,137)
New loan to a related party	(21,837,736)	(1,875,802)
Loan repaid by a related party	28,045,613	1,328,302
Interest received	340,960	10,747
	<hr/>	<hr/>
Net cash from/(used in) investing activities	5,370,165	(4,810,557)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

Consolidated Cash Flow Statement

For the year ended 31st December, 2003 (Expressed in Hong Kong dollars)

	Note	2003 HK\$	2002 HK\$
Financing activities			
Repayment of bank loan		–	(943,396)
Proceeds from a new bank loan		–	8,490,566
Proceeds from new loans from related parties		4,946,162	–
Repayment of loans from related parties		(916,038)	(975,063)
Interest paid		(548,997)	(281,224)
Net proceeds from shares issuance		4,787,848	–
		<hr/>	<hr/>
Net cash from financing activities		8,268,975	6,290,883
		<hr/>	<hr/>
Net increase in cash and cash equivalents		15,320,639	751,512
Cash and cash equivalents at 1st January		1,841,803	1,090,291
		<hr/>	<hr/>
Cash and cash equivalents at 31st December	20	17,162,442	1,841,803
		<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents			
Cash at bank and in hand		17,162,442	1,841,803
		<hr/>	<hr/>

The notes on pages 30 to 63 form part of these financial statements.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

1. REORGANISATION

SJTU Sunway Software Industry Limited (the "Company") was incorporated in the Cayman Islands on 28th June, 2002 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation") which was completed on 25th November, 2003 to rationalise the group structure in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the group.

2. BASIS OF PRESENTATION

The Company and its subsidiaries (the "Group") resulting from the Reorganisation has been regarded as a continuing group. Accordingly, the consolidated financial statements have been prepared on the basis of merger accounting in accordance with Statement of Standard Accounting Practice ("SSAP") No. 2.127 "Accounting for Group Reconstructions", under which the Company was the holding company of the Group for both years presented, rather than from 25th November, 2003. Under these circumstances, the results of the Group for the years ended 31st December, 2003 and 2002 include the results of the Company and its subsidiaries with effect from 1st January, 2002 or since their respective dates of incorporation/establishment, whichever is a shorter period. The consolidated balance sheet at 31st December, 2002 is a combination of the balance sheets of the Company and its subsidiaries as at 31st December, 2002. In the opinion of the directors, the resulting consolidated financial statements give a more meaningful view of the results and the state of affairs of the Group as a whole.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes 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 GEM of the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

Notes on the Financial Statements*(Expressed in Hong Kong dollars)***3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***(b) Basis of preparation of the financial statements**

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

(c) Subsidiaries and controlled enterprises

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their 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.

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 gains, 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 3(h)), 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.

Notes on the Financial Statements*(Expressed in Hong Kong dollars)***3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***(d) Fixed assets**

- (i) Fixed assets are stated at cost less accumulated depreciation (note 3(g)) and impairment losses (note 3(h)).
- (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.
- (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.

(e) Intangible assets

- (i) 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 3(g)) and impairment losses (see note 3(h)). Other development expenditure is recognised as an expense in the period in which it is incurred.
- (ii) Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (see note 3(g)) and impairment losses (see note 3(h)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.
- (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.

Notes on the Financial Statements*(Expressed in Hong Kong dollars)***3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***(f) 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.

(g) Amortisation and depreciation

(i) Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives as follows:

- leasehold improvements are depreciated on a straight-line basis over the shorter of their estimated useful lives, being five years from the date of completion, and the unexpired terms of the lease; and
- other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Computer and other equipment	4 – 5 years
Furniture and fixtures	3 years
Motor vehicles	8 years

(ii) Amortisation of intangible assets is charged to the income statement on a straight-line basis from the date of commencement of commercial operation subject to a maximum of five years.

Notes on the Financial Statements*(Expressed in Hong Kong dollars)***3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***(h) Impairment of assets**

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the fixed assets and intangible assets may be impaired or an impairment loss previously recognised no longer exists or may be decreased. 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 in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

(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 loss 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.

(i) Inventories

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost 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.

Notes on the Financial Statements*(Expressed in Hong Kong dollars)***3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***(i) Inventories** *(Continued)*

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.

(j) Cash and 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(k) 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 and the defined contribution scheme 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 obligation 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.

Notes on the Financial Statements*(Expressed in Hong Kong dollars)***3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***(I) Income tax**

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Notes on the Financial Statements*(Expressed in Hong Kong dollars)***3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***(l) Income tax** *(Continued)*

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(m) 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.

Notes on the Financial Statements*(Expressed in Hong Kong dollars)***3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***(n) 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) Sale of goods

Revenue is recognised when goods are delivered to the customers' premise, which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

(ii) Licensing fee

Licensing fee is recognised upon the issuance of authorisation letter to the customers pursuant to which the customers are granted the right to make an agreed number of copies of the patented software.

(iii) Custom-made solutions

When the outcome of a custom-made solution contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a custom-made solution contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iv) Provision of translation services

Revenue from the provision of translation services are recognised when the related services are rendered.

(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.

Notes on the Financial Statements*(Expressed in Hong Kong dollars)***3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***(o) Pre-operating expenses**

Pre-operating expenses are charged to the income statement as and when incurred.

(p) 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 subsidiaries outside Hong Kong 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 subsidiary outside Hong Kong, the cumulative amount of the exchange differences which relate to that subsidiary is included in the calculation of the profit or loss on disposal.

(q) 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.

(r) 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 purpose of these financial statements.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Segment reporting (Continued)

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 and trade and other receivables. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the 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, administrative and financing expenses.

4. TURNOVER

The principal activities of the Group are the development and sale of general software and custom-made solutions. Turnover represents the revenue from custom-made solution contracts and the sales value of goods sold after allowances for goods returned, excludes value added or other sales taxes and is after the deduction of any trade discounts.

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

	2003	2002
	HK\$	HK\$
General software	22,110,418	30,585,582
Licensing fee	5,935,737	7,189,358
Custom-made solutions	2,817,376	2,591,917
Translation services	4,638,788	248,030
	<u>35,502,319</u>	<u>40,614,887</u>

*Notes on the Financial Statements**(Expressed in Hong Kong dollars)***5. OTHER REVENUE**

Other revenue mainly represents the value added tax ("VAT") refund.

Pursuant to the relevant approval document issued by the tax authorities of Hai Dian District, Beijing, a subsidiary of the Group operated in the area is entitled to a refund of VAT on the sales of self developed software. The VAT refund represents the amount of VAT paid in excess of 3% of income generated from the sale of self-developed software. The amount of VAT refund is calculated on a monthly basis and recognised as other revenue when the refund is approved by the relevant tax authorities.

6. RESEARCH AND DEVELOPMENT COSTS

	2003	2002
	HK\$	HK\$
Staff costs	1,554,103	2,583,277
Pre-operating costs of the translation centre	–	934,089
Software quality certification	73,491	593,679
Rental expenses	112,627	579,627
Software acquired for development	311,132	–
	2,051,353	4,690,672
Less: amount capitalised	(1,356,223)	(3,334,137)
	695,130	1,356,535
Add: amortisation of intangible assets	1,850,318	1,337,524
	2,545,448	2,694,059

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

7. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2003	2002
	HK\$	HK\$
(i) Net finance costs/(income):		
Interest income	(340,960)	(403,594)
Exchange losses/(gains)	6,598	(9)
Interest on bank advances and other borrowings repayable within five years	532,417	274,328
Other borrowing costs	9,982	6,896
	208,037	(122,379)
(ii) Staff costs:		
Salaries, wages and allowances	6,218,117	3,753,717
Contributions to retirement schemes (note 23)	416,817	437,632
	6,634,934	4,191,349
Average number of employees during the year	164	185

Personnel expenses include directors' remuneration totalling HK\$620,457 and HK\$293,627 for the years ended 31st December, 2003 and 31st December, 2002 respectively.

	2003	2002
	HK\$	HK\$
(iii) Other items:		
Cost of inventories*	10,577,808	14,854,216
Auditors' remuneration	450,000	23,585
Depreciation	715,688	838,795
Amortisation of intangible assets	1,850,318	1,337,524
Loss on disposal of fixed assets	72,611	7,063
Operating lease charges in respect of properties	1,754,449	2,371,950
Provision for bad and doubtful debts	–	408,583

* Cost of inventories includes write back of provision for inventories of HK\$436,086 and a provision of HK\$21,402 for the years ended 31st December, 2003 and 31st December, 2002 respectively.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2003 HK\$	2002 HK\$
Current tax – Income tax in the People’s Republic of China (“PRC”)		
Tax for the year	509,068	–
Deferred tax		
Origination and reversal of temporary differences	–	–
	509,068	–

- (i) No provision has been made for Hong Kong Profits Tax as the Group did not earn income subject to Hong Kong Profits Tax during the years ended 31st December, 2003 and 2002.

Profits of the subsidiary in the PRC are subject to PRC income tax. As a foreign invested enterprise, the subsidiary is granted certain tax relief, under which it is entitled to income tax exemption for the first three profit making years, i.e. the period from 1st January, 2000 to 31st December, 2002. The subsidiary is subject to PRC income tax at 7.5% for the period from 1st January, 2003 to 31st December, 2005 and 15% from 1st January, 2006 onwards, which is the tax rate applicable to high technology enterprises in Hai Dian District, Beijing.

Taxation in the consolidated income statement and the consolidated balance sheet represents the provision of PRC income tax for a subsidiary during the year ended 31st December, 2003.

- (ii) No provision for deferred tax has been made during the years ended 31st December, 2003 and 2002 as the tax effect of temporary differences is immaterial.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2003		2002	
	HK\$	%	HK\$	%
Profit before tax	8,653,543		8,760,896	
Notional tax on profit before tax, calculated at the rates applicable to profits in the PRC	649,016	7.5	-	-
Tax effect of non-deductible expenses	30,644	0.4	-	-
Tax effect of non-taxable revenue	(170,592)	(2.0)	-	-
Actual tax expense	509,068	5.9	-	-

9. DIRECTORS' REMUNERATION

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

	2003	2002
	HK\$	HK\$
Salaries and other emoluments	603,165	291,725
Contributions to retirement scheme	17,292	1,902
	620,457	293,627
Number of directors	11	4

The executive directors received individual emoluments of approximately HK\$42,000 (2002: Nil), HK\$42,000 (2002: Nil), HK\$21,000 (2002: Nil), HK\$21,000 (2002: Nil), HK\$142,222 (2002: HK\$92,464), HK\$131,027 (2002: HK\$87,955), HK\$88,104 (2002: HK\$56,604), HK\$88,104 (2002: HK\$56,604) and HK\$21,000 (2002: Nil).

Included in the directors' remuneration were fees of HK\$12,000 (2002: Nil) and HK\$12,000 (2002: Nil) paid to the independent non-executive directors during the year.

*Notes on the Financial Statements**(Expressed in Hong Kong dollars)***9. DIRECTORS' REMUNERATION** *(Continued)*

No emoluments were paid by the Group to the directors or any of the five highest paid individuals (note 10) as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the years ended 31st December, 2003 and 2002.

10. INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 4 (2002: 2) are directors whose emoluments are disclosed in note 9. The aggregate of the emolument in respect of the other (2002: 3) individual is as follows:

	2003	2002
	HK\$	HK\$
Salaries and other emoluments	83,972	277,907
Contributions to retirement scheme	1,646	2,853
	85,618	280,760
Number of senior management	1	3

The emoluments of the (2002: 3) individual with the highest emoluments are within the following band:

	2003	2002
HK\$Nil – HK\$1,000,000	1	3

11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders include a loss of HK\$780,361 (2002: Nil) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$8,144,475 (2002: HK\$8,760,896) and the 130,000,000 ordinary shares in issue and issuable comprising 20,000,000 ordinary shares in issue as at 31st December, 2003 and 110,000,000 ordinary shares to be issued pursuant to the capitalisation issue (note 24(iv)) as if these shares were outstanding throughout the period from 1st January, 2002 to 31st December, 2003.

(b) Diluted earnings per share

There were no potential dilutive ordinary shares in existence during the years ended 31st December, 2003 and 2002.

14. SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. As the Group mainly operates in the PRC, no geographical segment information is presented.

Business segments

(i) Sale of general software

The development and sale of a range of self-developed standardised software products.

(ii) Licensing fee

To grant the right to the customers for making an agreed number of copies of the patented software.

(iii) Custom-made solutions

To develop and implement custom-made solutions which are specifically designed and developed for the specific needs and requirements of a particular customer.

(iv) Translation services

To provide translation and information localisation services.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

14. SEGMENT REPORTING (Continued)

Year ended 31st December, 2003

	General software HK\$	Licensing fee HK\$	Custom-made solutions HK\$	Translation services HK\$	Inter-segment elimination HK\$	Consolidated HK\$
Revenue from external customers	<u>22,110,418</u>	<u>5,935,737</u>	<u>2,817,376</u>	<u>4,638,788</u>	-	<u>35,502,319</u>
Segment result	<u>3,794,947</u>	<u>5,592,187</u>	<u>2,581,526</u>	<u>3,106,250</u>	-	<u>15,074,910</u>
Unallocated operating income and expenses						<u>(6,213,330)</u>
Profit from operations						<u>8,861,580</u>
Net finance costs						<u>(208,037)</u>
Taxation						<u>(509,068)</u>
Profit attributable to shareholders						<u>8,144,475</u>
Depreciation and amortisation for the year	<u>2,566,006</u>	-	-	-		
Significant non-cash expenses (other than depreciation and amortisation)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
Segment assets	<u>18,100,053</u>	<u>7,241,177</u>	<u>1,265,744</u>	<u>3,105,294</u>	-	<u>29,712,268</u>
Unallocated assets						<u>44,940,686</u>
Total assets						<u>74,652,954</u>
Segment liabilities	<u>1,583,261</u>	<u>65,543</u>	<u>31,110</u>	<u>51,222</u>	-	<u>1,731,136</u>
Unallocated liabilities						<u>19,476,991</u>
Total liabilities						<u>21,208,127</u>
Capital expenditure incurred during the year	<u>311,132</u>	<u>-</u>	<u>-</u>	<u>-</u>		

Notes on the Financial Statements
(Expressed in Hong Kong dollars)

14. SEGMENT REPORTING (Continued)

Year ended 31st December, 2002

	General software HK\$	Licensing fee HK\$	Custom-made solutions HK\$	Translation services HK\$	Inter-segment elimination HK\$	Consolidated HK\$
Revenue from external customers	<u>30,585,582</u>	<u>7,189,358</u>	<u>2,591,917</u>	<u>248,030</u>	<u>-</u>	<u>40,614,887</u>
Segment result	<u>4,098,575</u>	<u>7,998,696</u>	<u>2,488,321</u>	<u>92,000</u>	<u>-</u>	<u>14,677,592</u>
Unallocated operating income and expenses						<u>(6,039,075)</u>
Profit from operations						8,638,517
Net finance income						122,379
Taxation						<u>-</u>
Profit attributable to shareholders						<u>8,760,896</u>
Depreciation and amortisation for the year	2,176,319	-	-	-		
Significant non-cash expenses (other than depreciation and amortisation)	<u>429,985</u>	<u>-</u>	<u>-</u>	<u>-</u>		
Segment assets	<u>26,087,883</u>	<u>60,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,148,175</u>
Unallocated assets						<u>21,655,725</u>
Total assets						<u>47,803,900</u>
Segment liabilities	<u>2,175,224</u>	<u>79,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,254,456</u>
Unallocated liabilities						<u>13,928,337</u>
Total liabilities						<u>16,182,793</u>
Capital expenditure incurred during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

15. FIXED ASSETS

The Group

	Computer and other equipment HK\$	Furniture and fixtures HK\$	Motor vehicles HK\$	Leasehold improvements HK\$	Total HK\$
Cost:					
At 1st January, 2003	2,150,550	493,609	929,399	773,246	4,346,804
Additions	353,502	-	-	33,019	386,521
Disposals	-	-	-	(806,265)	(806,265)
At 31st December, 2003	2,504,052	493,609	929,399	-	3,927,060
Accumulated depreciation:					
At 1st January, 2003	1,117,558	360,619	232,497	143,440	1,854,114
Charge for the year	547,070	32,065	110,411	26,142	715,688
Written back on disposal	-	-	-	(169,582)	(169,582)
At 31st December, 2003	1,664,628	392,684	342,908	-	2,400,220
Net book value:					
At 31st December, 2003	839,424	100,925	586,491	-	1,526,840
At 31st December, 2002	1,032,992	132,990	696,902	629,806	2,492,690

Notes on the Financial Statements
(Expressed in Hong Kong dollars)

16. INTANGIBLE ASSETS

	The Group
	HK\$
Cost:	
At 1st January, 2003	5,861,726
Additions	1,356,223
	<u>7,217,949</u>
At 31st December, 2003	<u>7,217,949</u>
Aggregated amortisation:	
At 1st January, 2003	1,854,054
Charge for the year	1,850,318
	<u>3,704,372</u>
At 31st December, 2003	<u>3,704,372</u>
Net book value:	
At 31st December, 2003	<u>3,513,577</u>
At 31st December, 2002	<u>4,007,672</u>

Intangible assets comprise computer software development costs that are directly associated with identifiable assets controlled by the Group and have probable future economic benefits. The net book value may be analysed as follows:

	2003	2002
	HK\$	HK\$
Commercially launched	3,292,169	3,613,025
In development	221,408	394,647
	<u>3,513,577</u>	<u>4,007,672</u>

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

17. INTEREST IN SUBSIDIARIES

	The Company
	2003
	HK\$
Unlisted shares, at cost	13,757,045
Amount due to a subsidiary	(5,727,053)
	<u>8,029,992</u>

Balances with the subsidiaries are unsecured, interest free and have no fixed terms of repayments. Details of the subsidiaries at 31st December, 2003 are as follows. The class of shares held is ordinary unless otherwise stated.

All of these are controlled subsidiaries as defined under note 3(c) and have been consolidated into the Group's financial statements.

Name of company	Place of incorporation/ establishment	Place of operation	Proportion of ownership interest				Principal activity
			Particulars of issued and paid up capital	Group's effective interest	held by the Company	held by subsidiary	
Besto Investment Limited ("Besto")	British Virgin Islands	Hong Kong	US\$14,833	100%	100%	-	Investment holding
SJTU Sunway Software Co., Ltd. ("SJTU Sunway (Beijing)") *	PRC	PRC	RMB15,000,000	100%	-	100%	Development and sales of custom-made solutions and general software

* A wholly foreign owned enterprise established in the PRC.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

18. INVENTORIES

	The Group	
	2003	2002
	HK\$	HK\$
Packing materials	–	1,543,000
General software		
– consignment goods	781,081	–
– inventories on hand	1,380,254	3,592,298
	<u>2,161,335</u>	<u>5,135,298</u>
Provision for obsolete inventories	–	436,086
	<u>–</u>	<u>–</u>
Inventories stated at net realisable value	–	–

19. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Trade receivables	21,059,768	15,497,256	–	–
Suppliers' deposits	4,009,434	4,569,230	–	–
Prepayments, deposits and other receivables	25,219,558	8,052,074	10,598,178	3,966,987
	<u>50,288,760</u>	<u>28,118,560</u>	<u>10,598,178</u>	<u>3,966,987</u>

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

19. TRADE AND OTHER RECEIVABLES (Continued)

- (a) All of the trade and other receivables, except rental deposits and staff advances totalling HK\$1,009,757 and HK\$899,584 as at 31st December, 2003 and 2002 respectively, are expected to be recovered within one year.

Included in trade and other receivables are trade receivables (net of provisions for bad and doubtful debts) with the following ageing analysis:

	The Group	
	2003 HK\$	2002 HK\$
Current	4,723,083	4,229,093
Aged over 1 month but less than 4 months	8,139,557	4,159,079
Aged over 4 months but less than 8 months	4,562,106	2,754,405
Aged over 8 months but less than 1 year	3,007,075	3,885,386
Aged over 1 year	627,947	469,293
	21,059,768	15,497,256

Debts are due for payment at the date of billing. Credit term granted by the Group to customers is generally between one to six months. Subject to negotiation, extended credit terms are available for certain major customers with well-established trading records.

- (b) The Group entered into agreements with an independent software vendor for the sourcing of game software on 1st March, 2003. A deposit of HK\$1,462,264 (equivalent to RMB1,550,000) was placed with the vendor for the purchase of software as at 31st December, 2003. Pursuant to a repayment schedule agreed with the vendor on 3rd January, 2004, the deposit will be refunded to the Group by instalments after the expiry of the agreement on 31st December, 2003. The deposit will be fully refunded to the Group by January 2005 and is bearing interest at a fixed rate of 7.2% per annum.
- (c) Pursuant to the agreements dated 18th May, 2002 and 19th May, 2003 with an independent software vendor, the Group placed a deposit of HK\$2,830,189 (equivalent to RMB3,000,000) and HK\$2,547,170 (equivalent to RMB2,700,000) respectively with the vendor. Upon the expiry of the former agreement on 17th May, 2003, HK\$283,019 (equivalent to RMB300,000) was refunded to the Group. The remaining balance of HK\$2,547,170 (equivalent to RMB2,700,000) was retained as the deposit of the later agreement which is secured by a 51% equity interest in the independent software vendor. The deposit is refundable to the Group if certain predetermined conditions are satisfied on or before 18th May, 2004.
- (d) On 28th December, 2003, the Group entered into a letter of intent with an independent third party to acquire the entire equity interest (the "Acquisition") in Mighty Wish Services Limited ("Mighty Wish"). The consideration for the Acquisition will be determined based on the audited operating results and profits of Mighty Wish.

As at 31st December, 2003, HK\$1,905,660 (equivalent to RMB2,020,000) was paid to the independent third party as a deposit for the Acquisition.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Cash at bank and in hand	17,162,442	1,841,803	1,806	–

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Trade payable	1,259,084	1,806,848	–	–
Other payables	11,270,402	5,885,379	5,653,292	–
	12,529,486	7,692,227	5,653,292	–

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

Included in trade and other payables are trade payable with the following ageing analysis:

	The Group	
	2003	2002
	HK\$	HK\$
Due within 3 months or on demand	418,300	797,628
Due after 3 months but within 6 months	33,019	125,104
Due after 6 months but within 1 year	722,010	601,050
Over 1 year	85,755	283,066
	1,259,084	1,806,848

*Notes on the Financial Statements**(Expressed in Hong Kong dollars)***22. BANK LOAN**

	The Group	
	2003	2002
	HK\$	HK\$
Bank loan – unsecured	<u>8,490,566</u>	<u>8,490,566</u>

At 31st December, 2003, the bank loan was bearing interest of 5.84% (2002: 5.84%) per annum, and guaranteed by the former shareholder of a subsidiary. The bank loan has been fully repaid in March 2004.

23. RETIREMENT BENEFITS

A subsidiary operating in the PRC participates in a government pension scheme whereby the subsidiary is required to pay annual contributions at the rate of 19% of the basic salaries. Under the scheme, retirement benefits of existing and retired employees are payable by the relevant authorities and the Group has no further obligations beyond the annual contributions.

The Company 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 managed by an independent approved MPF trustee. 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 HK\$20,000. Contributions to the scheme vest immediately.

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

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

24. SHARE CAPITAL

		2003		2002	
	Note	Number of shares	HK\$	Number of shares	HK\$
Authorised:					
Company – Ordinary share of \$0.01 each	(ii) & (iv)	4,000,000,000	40,000,000	10,000,000	100,000
Besto – Ordinary share of US\$1 each	(i)	N/A	N/A	10,000	77,800
Issued:					
At 1st January	(i)	10,001	77,800	10,000	77,800
Issuance of share	(ii)	-	-	1	-
Capital elimination on consolidation	(iv)	(10,000)	(77,800)	-	-
Issuance of shares to the then shareholders of Besto	(iii) & (iv)	9,999,999	100,000	-	-
Issuance of shares for the acquisition of subsidiaries	(iv)	10,000,000	100,000	-	-
		20,000,000	200,000	10,001	77,800

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

24. SHARE CAPITAL (Continued)

Notes:

- (i) The share capital on the combined balance sheet as at 31st December, 2002 represents the aggregate share capital of the Company and Besto.
- (ii) The Company was incorporated on 28th June, 2002 with an authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares of HK\$0.01 each. One ordinary share was allotted and issued nil paid on 7th August, 2002.
- (iii) On 25th November, 2003, 9,999,999 ordinary shares of HK\$0.01 each were allotted and issued nil paid to the then shareholders of Besto in proportion to their respective interests in Besto.
- (iv) Pursuant to the resolutions in writing of all shareholders of the Company passed on 25th November, 2003:
 - the authorised share capital of the Company was increased from HK\$100,000 to HK\$40,000,000 by the creation of a further 3,990,000,000 ordinary shares of HK\$0.01 each.
 - 10,000,000 new ordinary shares of HK\$0.01 each were allotted and issued, credited as fully paid at par, to the then shareholders of Besto to acquire the entire interest of the subsidiaries and became the holding company of the Group. In addition, the ordinary shares issued nil paid as stated in notes (i) and (iii) above were paid up upon the transfer of the entire share capital of Besto to the Company.

As a result, the 20,000,000 ordinary shares of HK\$0.01 each were fully paid up at a price totalling HK\$13,757,045.

 - conditional on the share premium account of the Company being credited as a result of the placing (note 29(a)), the directors were authorised to capitalise HK\$1,100,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 110,000,000 ordinary shares of HK\$0.01 each for allotment and issue to holders of the Company's shares as at 25th November, 2003 in proportion to their then existing shareholdings in the Company.
- (v) All the shares issued by the Company rank *pari passu* and do not carry pre-emptive rights.
- (vi) Pursuant to the written resolutions of the shareholders passed on 25th November, 2003, the Company had conditionally established a share option scheme whereby the directors of the Company may, at their discretion, invite any full time or part time employees and directors, suppliers, customers and advisers to the Group (subject to the eligibility requirements as set out therein) to take up options which entitle them to subscribe for shares representing up to a maximum of 30% of the shares in issue from time to time.

During the year ended 31st December, 2003, no option had been granted to any such eligible participants under the share option scheme.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

25. RESERVES

(a) The Group

	Share premium (note (i)) HK\$	Capital surplus (note (ii)) HK\$	General reserve (note (iii)) HK\$	Retained profits (note (iv)) HK\$	Total HK\$
At 1st January, 2002	-	15,089,717	1,168,163	6,524,531	22,782,411
Profit for the year	-	-	-	8,760,896	8,760,896
Transfer to reserves	-	-	965,839	(965,839)	-
At 31st December, 2002	<u>-</u>	<u>15,089,717</u>	<u>2,134,002</u>	<u>14,319,588</u>	<u>31,543,307</u>
At 1st January, 2003	-	15,089,717	2,134,002	14,319,588	31,543,307
Profit for the year	-	-	-	8,144,475	8,144,475
Issuance of shares for the acquisition of subsidiaries (note 24(iv))	13,557,045	-	-	-	13,557,045
Transfer to reserves	-	-	793,117	(793,117)	-
At 31st December, 2003	<u>13,557,045</u>	<u>15,089,717</u>	<u>2,927,119</u>	<u>21,670,946</u>	<u>53,244,827</u>

(b) The Company

	Share premium (note (i)) HK\$	Accumulated losses HK\$	Total HK\$
At 1st January, 2003	-	-	-
Loss for the year	-	(780,361)	(780,361)
Issuance of shares for the acquisition of subsidiaries (note 24(iv))	13,557,045	-	13,557,045
At 31st December, 2003	<u>13,557,045</u>	<u>(780,361)</u>	<u>12,776,684</u>

Notes on the Financial Statements*(Expressed in Hong Kong dollars)***25. RESERVES** *(Continued)*

Notes:

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account 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.

(ii) Capital surplus

Capital surplus mainly represents the waiver of loans from the then shareholders of Besto, which was contributed as part of the capital to SJTU Sunway (Beijing).

(iii) General reserve

SJTU Sunway (Beijing) became a foreign invested enterprise since 1st July, 2000. According to its articles of association, SJTU Sunway (Beijing) is required to set up a general reserve and the transfers to this fund are at the discretion of the company. This fund can be utilised to acquire fixed assets, to increase current assets and may be converted into paid-in capital. Transfers from this fund are subject to approval by its board of directors.

(iv) Distributable reserve

At 31st December, 2003, in the opinion of the directors of the Company, the reserves of the Company available for distribution to shareholders amounted to HK\$12,776,684 subject to the restriction stated in (i).

26. NON CASH TRANSACTIONS

- (a) Pursuant to an agreement dated 13th May, 2003, the amount due to a shareholder totalling HK\$6,847,257 (at 31st December, 2002: HK\$4,861,273) was converted into a shareholder loan (note 28(b)).
- (b) On 20th September, 2003, an additional 4,833 ordinary shares of Besto were issued at a consideration totalling HK\$13,679,245. The consideration was partly settled by the shareholders' loans of HK\$8,891,397 (note 28(b)).

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

27. COMMITMENTS

- (a) Capital commitments outstanding at 31st December, 2003 not provided for in the financial statements were as follows:

	The Group	
	2003	2002
	HK\$	HK\$
Contracted for	<u>1,226,415</u>	<u>–</u>

- (b) At 31st December, 2003, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2003	2002
	HK\$	HK\$
Within 1 year	<u>10,000</u>	<u>1,368,813</u>

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one year, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

28. MATERIAL RELATED PARTY TRANSACTIONS

- (a) **Significant transactions**

	Note	2003	2002
		HK\$	HK\$
Interest received	(i)	321,969	392,847
Interest paid	(ii)	224,903	–
Expenses paid by a shareholder	(iii)	2,910,574	161,296
Prepayments paid by a shareholder	(iv)	<u>103,969</u>	<u>3,546,987</u>

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

28. MATERIAL RELATED PARTY TRANSACTIONS (Continued)**(a) Significant transactions** (Continued)

Notes:

- (i) Interest received represents interest charges on short-term fundings provided by a subsidiary to finance the operation of a related company. Interest under these financing arrangements was charged at a fixed rate at 7.2% per annum for the years ended 31st December, 2003 and 2002. The outstanding balances of interest bearing loans have been fully repaid as at 31st December, 2003.
- (ii) Interest paid represents interest expense in respect of short-term borrowings advanced by the then shareholders of Besto. Interest under these financing arrangements was charged at 10% per annum during the year ended 31st December, 2003. The outstanding balances of interest bearing loans were subsequently converted into the additional capital of Besto (note (b)(ii)).
- (iii) The amounts represent operating expenses paid by a shareholder on behalf of a subsidiary (note (b)(ii)).
- (iv) Prepayments represent listing expenses paid by a shareholder on behalf of the Company. The amounts were subsequently converted into a loan from the shareholder (note (b)(ii)).

The directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of the Group's business.

(b) Balances with related parties

- (i) Amounts due from related parties include:

	The Group			
	2003		2002	
	Trade and other receivables HK\$	Loans to related party HK\$	Trade and other receivables HK\$	Loans to related party HK\$
Loans to a shareholder	-	-	-	6,207,877
Interest receivable	-	-	460,772	-
	<u>-</u>	<u>-</u>	<u>460,772</u>	<u>6,207,877</u>

*Notes on the Financial Statements**(Expressed in Hong Kong dollars)***28. MATERIAL RELATED PARTY TRANSACTIONS** *(Continued)***(b) Balances with related parties** *(Continued)*

- (i) Amounts due from related parties include:
- (Continued)*

Loans to a shareholder and related interest receivable

Loans to a shareholder carried interest at 7.2% per annum and had been fully repaid in November 2003.

- (ii) Amounts due to related parties include:

	The Group	
	Trade and other payables	
	2003	2002
	HK\$	HK\$
Amount due to a shareholder	<u>2,910,574</u>	<u>4,861,273</u>

The amount due to a shareholder was unsecured and had no fixed terms of repayment during the years ended 31st December, 2003 and 2002. Pursuant to an agreement dated 13th May, 2003, the amount due to a shareholder of HK\$6,847,257 (at 31st December, 2002: HK\$4,861,273) was converted into a loan from the shareholder which is repayable on 31st December, 2006 and bearing interest at a fixed rate of 10% per annum.

In May 2003, a shareholders' loan of HK\$2,044,140 (RMB2,170,000) was granted to SJTU Sunway (Beijing) by the shareholders of Besto, which carries interest at a fixed rate of 10% per annum.

On 20th September, 2003, an additional 4,833 ordinary shares of Besto were issued at a consideration totalling HK\$13,679,245. The above shareholders' loans of \$8,891,397 at 30th June, 2003 were capitalise to partially satisfy the share proceeds of the additional capital of Besto.

As at 31st December, 2003, included in other payables is an amount due to a shareholder which represents the operating expenses paid on behalf of the Group.

*Notes on the Financial Statements**(Expressed in Hong Kong dollars)***29. POST BALANCE SHEET EVENTS****(a) Placing of shares**

On 7th January, 2004, a further 70,000,000 ordinary shares of HK\$0.01 each were issued and offered for subscription ("Placing") at a price of HK\$0.43 per share upon the listing of the Company's shares on the GEM of the Stock Exchange. Dealings of the Company's shares commenced on the GEM on 9th January, 2004.

(b) Paid up the shares under capitalisation issue

Pursuant to a resolution of the directors' meeting held on 6th January, 2004 (conditional upon the share premium account of the Company being credited as a result of the Placing), an amount of HK\$1,100,000 standing to the credit of the share premium account of the Company was applied in paying up in full at par 110,000,000 ordinary shares of HK\$0.01 each allotted pursuant to the capitalisation issue authorised by the written resolution passed on 25th November, 2003 (note 24(iv)).

(c) Establishment of a new subsidiary

On 22nd March, 2004, the Group entered into an articles of association with Xiamen Start Dragon Information Technology Co., Ltd., which is a subsidiary of a shareholder, to establish a new subsidiary whose principal activity is the provision of translation services. The registered capital of the new subsidiary is RMB5 million and the Group will hold a 75% equity interest and is required to contribute proportionately capital of RMB3,750,000 on or before 21st April, 2004.

Three Years Financial Summary

(Expressed in Hong Kong dollars)

	2003 HK\$	2002 HK\$	2001 HK\$
Results			
Turnover	<u>35,502,319</u>	<u>40,614,887</u>	<u>31,964,278</u>
Profit from operations	8,861,580	8,638,517	6,755,195
Net finance (costs)/income	<u>(208,037)</u>	<u>122,379</u>	<u>(44,170)</u>
Profit from ordinary activities before taxation	8,653,543	8,760,896	6,711,025
Taxation	<u>(509,068)</u>	<u>–</u>	<u>–</u>
Profit attributable to shareholders	8,144,475	<u>8,760,896</u>	<u>6,711,025</u>
Assets and liabilities			
Non-current assets	5,040,417	6,500,362	4,409,940
Current assets	69,612,537	41,303,538	23,279,435
Current liabilities	<u>(21,208,127)</u>	<u>(16,182,793)</u>	<u>(4,829,164)</u>
Net assets	53,444,827	<u>31,621,107</u>	<u>22,860,211</u>
Share capital	200,000	77,800	77,800
Reserves	<u>53,244,827</u>	<u>31,543,307</u>	<u>22,782,411</u>
	53,444,827	<u>31,621,107</u>	<u>22,860,211</u>
Earnings per share			
Basic	<u>6.26 cents</u>	<u>6.74 cents</u>	<u>5.16 cents</u>
Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>