乾坤燭® PROSTICKS®

ProSticks International Holdings Limited

(Incorporated in the Cayman Islands with Limited)

Stock Code : 8055

Annual Report 2007

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

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

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The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

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Corporate Information

Board of Directors	**Executive Directors** Ms. Tsang Wing Yee *(Chairman)* Mr. Chan Chi Yuen Ms. Chan Siu Mun **Independent Non-executive Directors** Dr. Wong Yun Kuen Ms. Chan Hoi Ling
Company secretary	Mr. Cheng Man For
Qualified accountant	Mr. Cheung Kwok Hung, Edward
Authorized representatives	Mr. Chan Chi Yuen Ms. Chan Siu Mun
Compliance officer	Mr. Chan Chi Yuen
Registered office	Cricket Square Hutchins Drive P. O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business	Unit A, 1st Floor, Lippo Leighton Tower 103 Leighton Road Causeway Bay, Hong Kong
Principal bankers	Fubon Bank (Hong Kong) Limited Standard Chartered Bank (Hong Kong) Limited
Principal share registrar and transfer office in the Cayman Islands	Butterfield Fund Services (Cayman) Limited
Branch share registrar and transfer office in Hong Kong	Tricor Tengis Limited
Auditor	Lak & Associates C.P.A. Limited
Legal advisers	As to the Cayman Islands Law: Conyers Dill & Pearman, Cayman As to Hong Kong Law: D. S. Cheung & Co
Stock Code	8055
Company homepage/website	http://www.prosticks.com.hk

Chairman's Statement

On behalf of the Board, I am pleased to present the annual results of Prosticks International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2007.

During the year, the market of operational software application products remained very competitive and the Group has gone through a hard time. The total revenue of the Group decreased by approximately 59% to HK$2,756,000 even the Group has strived hard to maintain the market share of its operational software application products in the local market. As a result, a consolidated loss of HK$2,373,000 was recorded for the year ended 31 December 2007, representing an increase of approximately 360% as compared to the previous year, and the basic loss per share increased from HK 0.15 cent for the previous year to HK 1.21 cent for this year.

In view of the moribund operational software business, the management has been actively seeking new opportunities for the Group to reduce its business risk by business diversification. In February 2008, the Company completed its acquisition of a company engaged in the occupational education, industry certification course, skills training and education consultation. The management expects the newly injected business will improve the financial performance and position of the Group in the foreseeable future. Meanwhile, the Group will continue to explore new business opportunities to further broaden the Group's income and enhance the long-term growth potential of the Group.

Finally, I would like to take this opportunity to express my sincere gratitude to the members of the Board of Directors and staff of the Group for their utmost support and contribution to the Group.

Tsang Wing Yee
Chairman

Hong Kong, 28 March 2008

FINANCIAL REVIEW

For the year ended 31 December 2007, the Group recorded a total revenue of approximately HK$2,756,000 (2006: HK$6,714,000) representing a decrease by 59% as compared to the previous year. All of the revenue of the Group is generated from operational software application products business.

The disposal of the discontinued operation was completed on 31 May 2006 and thus no results from discontinued operation were recorded.

Since the Group outsourced its software development and maintenance services to a third party in June 2006, the staff costs (including directors' remuneration) and research and development expenditure decreased significantly by 77% and 100% respectively as compared with previous year. As a result, the total administrative expenses of the Group decreased by approximately 51% to HK$2,739,000.

During the year under review, the finance costs decreased substantially by 100% as the outstanding loan and convertible bonds in previous years were either repaid or cancelled.

However, due to the drop in revenue, the consolidated net loss of the Group increased from approximately HK$515,000 in 2006 to HK$2,373,000.

Capital structure, liquidity and financial resources

The Group financed its business operations mainly with cash revenue generated from operating activities and additional funds raised by issuance of new shares. As at 31 December 2007, the Group had current assets of approximately HK$22,580,000 (2006: HK$908,000), including cash and cash equivalents of approximately HK$22,567,000 (2006: HK$239,000). The Group kept most of its cash in Hong Kong dollar and placed them as short-term deposits in banks and a licensed corporation for interest. The total assets of the Group amounted to approximately HK$22,626,000 as at 31 December 2007 (2006: HK$974,000).

As at 31 December 2007, the Group did not have any outstanding borrowing. The total liabilities of the Group amounted to approximately HK$1,077,000 (2006: HK$2,234,000), which mainly comprised the amounts due to directors and trade and other payables. As at 31 December 2007, the Group has a net assets of HK$21,549,000 (2006: net liabilities of HK$1,260,000). The gearing ratio of the Group, as expressed as the ratio of total liabilities to total assets, improved to 0.05 as at 31 December 2007 (2006: 2.29).

On 14 June 2007, 29,584,000 ordinary shares of HK$0.10 each in the capital of the Company were issued pursuant to a top-up subscription agreement at a price of HK$0.355 per share.

On 1 August 2007, 72,367,600 ordinary shares of HK$0.10 each were issued pursuant to an open offer on the basis of two offer shares for every five existing shares held on 29 June 2007. As at 31 December 2007, the authorized share capital of the Company was HK$80,000,000 divided into 800,000,000 shares of HK$0.10 each and the issued share capital of the Company was HK$25,364,000 divided into 253,641,850 shares of HK$0.10 each.

Foreign exchange exposure

Most of the sales and expenditures of the Group are denominated in Hong Kong dollar and United States dollar. As Hong Kong dollar is closely linked with United States dollar and the exchange rates of other currencies used by the Group are relatively stable, the management considers that the Group has no significant foreign exchange exposures. The Group has no foreign currency borrowings and has not used any financial instrument for hedging purposes.

Contingent liabilities and charges on the Group's assets

There were no material contingent liabilities or charges on the Group's assets as at 31 December 2007.

OPERATIONAL REVIEW

Operational software application products

The segment revenue of operational software application products for the year ended 31 December 2007 decreased from HK$5,493,000 to HK$2,756,000, representing a reduction of approximately 50% when compared with that of the previous year. The segment profit for the year ended 31 December 2007 also decreased substantially to approximately HK$202,000 from approximately HK$1,545,000 in 2006. Reduction in segment revenue and profit were recorded as the Group mainly focused on completing the contracts on hand and less effort was placed on soliciting new contracts during the year.

Employee information

As at 31 December 2007, the Group had a total of 3 employees (including executive directors). For the year under review, the total staff costs amounted to approximately HK$1,325,000 (2006: HK$5,832,000), representing a decrease of approximately 77% over the previous year. The decrease in staff costs was mainly attributable to the outsourcing of the software development and maintenance services to a third party since 2006.

The salaries and benefits of the Group's employees are kept at a market level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Staff benefits include contributions to mandatory provident fund and share options. No share options were granted to employees of the Group in the current year.

Future plans for material acquisitions

On 4 October 2007, the Company entered into a placing agreement with a placing agent to place, on a best effort basis, a maximum of 500,000,000 placing shares to independent investors at a price of HK$0.15 per share. The net proceeds from the placing is intended to be used for the funding of the below mentioned acquisition.

On 16 October 2007, the Group entered into an acquisition agreement with a vendor to acquire the entire issued share capital of a company at a consideration of HK$800,000,000. The acquired company is an investment holding company incorporated in the British Virgin Islands with its subsidiaries which are principally engaged in the occupational education, industry certification course, skills training and education consultation in the People's Republic of China. The acquisition was completed on 27 February 2008.

The Directors have proposed to increase the authorised share capital of the Company from HK$80,000,000, divided into 800,000,000 shares to HK$1,000,000,000 divided into 10,000,000,000 shares by the creation of additional 9,200,000,000 shares in order to accommodate future expansion and growth of the Company. The proposed increase in authorised share capital of the Company was approved by the shareholders at the extraordinary general meeting held on 14 February 2008.

PROSPECTS

With the proceeds from the top-up placing and an open offer on the basis of two offer shares for every five existing shares, during the year and the placing of 500,000,000 shares subsequent to the balance sheet date, the Group's financial position is in a more healthy state.

Given the downward trend in the business of distribution of operational software application products, the management considers the diversification of business into new areas with high-growth potential will be in the best interest of the Company and its shareholders. The Company takes initiative in identifying business opportunities in new emerging markets that will broaden its revenue sources.

In February 2008, the acquisition of the entire equity interest of a company engaged in the occupational education, industry certification course, skills training and education consultation in the PRC was completed.

In view of current development of the domestic market, the Company is of the view that it is a general trend for the unified qualification certification in all industries to embody industry self-requirement and community needs of higher standard of professionalism, expertise, qualifications of practitioners in all industries. Therefore, there is a trend for the industry certification and continuing professional development to become mandatory by relevant government and regulatory bodies in different industries to boost and maintain the industrial competency standards. It is inevitable for the vocational certification and continuous education and training market to become an economic focus in the future. Further considering that the increase of computer and internet usage and the popularity of e-platform learning, it is expected that the market scale of e-platform education and training will increase significantly in the future. Therefore, the Company consider that there will be huge market potential for higher education and professional certification training needs in the PRC core industries, including banking, Chinese medical, quality inspection, forestry, auto parts maintenance, telecommunication, tourism, electricity, real estate, architecture, IT, logistics, property management and so on.

Meanwhile, the Group will continue to look for new business opportunities that may increase the shareholders' value of the Group and to further reduce the business risk of the Group by business diversification.

EXECUTIVE DIRECTORS

Ms. Tsang Wing Yee, aged 36, has been appointed as Chairman and an executive director of the Company since May 2006. She is a Chartered Financial Analyst charterholder, a Certified Public Accountant and a fellow of the Association of Chartered Certified Accountants. Ms. Tsang holds a master degree in financial management and a bachelor degree in business administration. She has more than 13 years of experience in the investment and finance fields.

Ms. Tsang Wing Yee is a director of Magic Key International Holdings Limited and Boyce Limited, both of which have an interest in the share capital of the Company which fall to be disclosed to the Company under the provisions in Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Mr. Chan Chi Yuen, aged 41, holds a bachelor degree with honours in Business Administration and a postgraduate diploma in Corporate Governance and Directorship. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and an associate member of the Institute of Chartered Accountants in England and Wales. Mr. Chan is a practicing certified public accountant and has extensive experience in financial management, corporate finance and corporate governance.

Mr. Chan is currently an executive director of A-Max Holdings Limited (Stock code: 959) and Kong Sun Holdings Limited (Stock code: 295) and an independent non-executive director of China Sciences Conservational Power Limited (Stock code: 351), Hong Kong Health Check and Laboratory Holdings Company Limited (Stock code: 397), Tak Shun Technology Group Limited (Stock code: 1228) and Premium Land Limited (Stock code: 164). Mr. Chan was an executive director of New Times Group Holdings Limited (Stock code: 166) during the period from 10 May 2006 to 25 October 2006 and has then been re-designated as a non-executive director. He was an independent non-executive director of Golden Resorts Group Limited (Stock code: 1031) from 17 September 2004 to 28 October 2005.

Ms. Chan Siu Mun, aged 33, holds a Bachelor of Business Administration (Accounting and Finance) degree from the University of Hong Kong. She is an associate member of the HKICPA and an associate member of the Association of Chartered Certified Accountants. Ms. Chan has 10 years of experience in auditing, accounting and financial management. Before joining the Company, she worked in an international professional audit firm and a number of listed companies.

Ms. Chan is currently an executive director of Climax International Company Limited (Stock code: 439) and Greater China Holdings Limited (Stock Code: 431).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wong Yun Kuen, aged 49, received his Ph.D. degree from Harvard University, and was a "Distinguished Visiting Scholar" in finance at the Wharton School of the University of Pennsylvania and a consultant at AIG Financial Products Corp. of USA. Dr. Wong has extensive experience in corporate finance, investment and derivative products. In addition, Dr. Wong was a consultant to a supercomputer firm on application software, and has participated in the development of e-commerce software and platforms. He is a member of Hong Kong Securities Institute.

Dr. Wong is also an executive director of UBA Investments Limited (Stock code: 768), and an independent non-executive director of Harmony Asset Limited (Stock code: 428), Grand Field Group Holdings Limited (Stock code: 115), Ultra Group Holdings Limited (Stock code: 8203), Poly Investments Holdings Limited (Stock code: 263), Bauhaus International (Holdings) Limited (Stock code: 483), Golden Resorts Group Limited (Stock code: 1031), Tak Shun Technology Group Limited (Stock code: 1228), Kong Sun Holdings Limited (Stock code: 295) and Climax International Company Limited (Stock code: 439). Dr. Wong was also a former independent non-executive director of Haywood Investment Limited (Stock code: 905) from 8 June 1998 to 7 July 2005.

Ms. Chan Hoi Ling, aged 33, graduated from the University of South Australia with a Bachelor degree in Accountancy. Ms. Chan has extensive experience in auditing and financial management. She is an associate member of the HKICPA and CPA Australia.

Ms. Chan is also an independent non-executive director of Climax International Company Limited (Stock code: 439).

The board (the "Board") of directors (the "Directors") of ProSticks International Holdings Limited (the "Company") presents herewith the annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 18 to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and (loss)/profit from operating activities by principal activity and geographical area of operations for the year ended 31 December 2007 is set out in note 15 to the financial statements.

RESULTS AND DIVIDEND

The Group's results for the year ended 31 December 2007 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 24 to 26.

The Directors do not recommend payment of any final dividend in respect of the reporting year (2006: HK$Nil).

SUMMARY FINANCIAL INFORMATION

The following is a summary of the audited consolidated results of the Group for each of the five years ended 31 December prepared on the basis set out in the note below:

	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Restated)	(Restated)
Revenue	**2,756**	6,714	11,656	8,556	6,111
Loss before tax	**2,373**	515	4,056	9,673	12,669
Net loss after tax	**2,373**	515	4,056	9,673	12,669
Total assets	**22,626**	974	3,652	3,935	3,855
Total liabilities	**1,077**	2,234	13,123	9,317	5,270

Note: The figures for the two years ended 31 December 2004 and 2003 have been restated in accordance with the new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants. The figures for the year ended 31 December 2005 were extracted from the Company's 2005 annual report.

PLANT AND EQUIPMENT

Movements of plant and equipment are set out in note 16 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 18 to the financial statements.

INTEREST-BEARING BORROWINGS

Details of the interest-bearing borrowings of the Group are set out in note 23 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the year are set out in notes 24 and 27 to the financial statements respectively.

CONVERTIBLE SECURITIES

There is no convertible securities, options, warrants or similar rights were issued or granted by the Company during the year.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 27 and note 25 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2007, the Company did not have any reserve available for cash distribution (2006: HK$Nil). In accordance with the laws of the Cayman Islands and the Company's Articles of Association, the Company's share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debt as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Sales	
— the largest customer	49%
— five largest customers	96%
Purchases	
— the largest supplier	100%
— five largest suppliers	100%

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

DIRECTORS

The Directors of the Company during the financial year and at the date of this report were:—

Executive Directors

Ms. Tsang Wing Yee	
Mr. Chan Chi Yuen	(appointed on 23 July 2007)
Ms. Chan Siu Mun	(appointed on 23 July 2007)
Mr. Chan Yat Leong	(resigned on 23 July 2007)
Mr. Law Tin Fan Arthur	(resigned on 23 July 2007)
Mr. Yuen Sun Chak	(resigned on 23 July 2007)
Dr. Chan Lai Yin Simon	(resigned on 15 February 2007)

Independent Non-executive Directors

Dr. Wong Yun Kuen	(appointed on 1 August 2007)
Ms. Chan Hoi Ling	(appointed on 1 August 2007)
Mr. Lau Wing	(resigned on 1 August 2007)
Mr. Ho Ho Yee Alexendra	(resigned on 1 August 2007)
Prof. Lin Chinlon	(resigned on 5 July 2007)

The Company has received from each of the independent non-executive Directors the annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers that all independent non-executive Directors are independent to the Group in accordance with the terms of the guidelines as set out in Rule 5.09 of the GEM Listing Rules.

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Chan Chi Yuen, Ms. Chan Siu Mun, Dr. Wong Yun Kuen, and Ms. Chan Hoi Ling will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 33 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the Directors and the five highest paid employees in the Group are set out in notes 9 and 10 to the financial statements respectively.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2007, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares of the Company

Name of Directors	Capacity	Number of shares or underlying shares held: Ordinary shares	Share options	Total	Percentage of issued share capital
Tsang Wing Yee	Interest of a controlled corporation	80,000,000 (Note 1)	—	80,000,000	31.54%
	Beneficial owner	—	177,625	177,625	0.07%
	Sub-total	80,000,000	177,625	80,177,625	31.61%

Notes:

1. 43,551,000 shares and 36,449,000 shares of the Company were held by Magic Key International Holdings Limited and Boyce Limited respectively. Magic Key International Holdings Limited is owned as to 46.50% by Ms. Tsang Wing Yee and 32.55% by Mr. Chan Yat Leong, spouse of Ms. Tsang Wing Yee. Boyce Limited is owned as to 67.45% by Ms. Tsang Wing Yee and 32.55% by Mr. Chan Yat Leong respectively.

Short position in shares of the Company

Name of Directors	Capacity	Number of shares or underlying shares held: Ordinary shares	Share options	Total	Percentage of issued share capital
Tsang Wing Yee	Interest of a controlled corporation	80,000,000 (Note 1)	—	80,000,000	31.54%

Notes:

1. 43,551,000 shares and 36,449,000 shares of the Company were held by Magic Key International Holdings Limited and Boyce Limited respectively. Magic Key International Holdings Limited is owned as to 46.50% by Ms. Tsang Wing Yee and 32.55% by Mr. Chan Yat Leong, spouse of Ms. Tsang Wing Yee. Boyce Limited is owned as to 67.45% by Ms. Tsang Wing Yee and 32.55% by Mr. Chan Yat Leong. Magic Key International Holdings Limited and Boyce Limited have pledged the 80,000,000 shares to secure a loan.

Save as disclosed above, as at 31 December 2007, none of the other Directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, so far as known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Long position in issued shares of the Company

		Number of shares or underlying shares held			
Name of Shareholder	**Capacity**	**Ordinary shares**	**Share options**	**Total**	**Percentage of issued share capital**
Magic Key International Holdings Limited (Note 1)	Beneficial owner	43,551,000	—	43,551,000	17.17%
Boyce Limited (Note 1)	Beneficial owner	36,449,000	—	36,449,000	14.37%
Kingston Finance Limited (Note 2)	Security Interest	80,000,000	—	80,000,000	31.54%
Chu Yuet Wah (Note 3)	Interest of a controlled corporation	80,000,000	—	80,000,000	31.54%
Ma Siu Fong (Note 3)	Interest of a controlled corporation	80,000,000	—	80,000,000	31.54%
Chan Yat Leong (Note 1)	Interest of a controlled corporation	80,000,000	—	80,000,000	31.54%

Notes:

1. 43,551,000 shares and 36,449,000 shares of the Company were held by Magic Key International Holdings Limited and Boyce Limited respectively. Magic Key International Holdings Limited is owned as to 46.50% by Ms. Tsang Wing Yee and 32.55% by Mr. Chan Yat Leong, spouse of Ms. Tsang Wing Yee. Boyce Limited is owned as to 67.45% by Ms. Tsang Wing Yee and 32.55% by Mr. Chan Yat Leong.

2. Kingston Finance Limited has a security interest of an aggregate of 80,000,000 shares owned by Magic Key International Holdings Limited and Boyce Limited.

3. Ms. Chu Yuet Wah and Ms. Ma Siu Fong are controlling shareholders of Kingston Finance Limited. Both Ms. Chu Yuet Wah and Ms. Ma Siu Fong are deemed to be interest in the underlying shares in which Kingston Finance Limited hold an interest.

Long position in unissued shares of the Company

		Number of shares or underlying shares held		
Name of Shareholders	**Capacity**	**Ordinary shares**	**Share options**	**Total**
Eftpos Limited (Note 1)	Beneficial owner	20,000,000	—	20,000,000
Wu Wai Yin (Note 1 and 2)	Interest of a controlled corporation	20,000,000	—	20,000,000
Wong Lai Hop (Note 1)	Beneficial owner	37,400,000	—	37,400,000
Mak Tai Wo (Note 1)	Beneficial owner	31,728,000	—	31,728,000
Ruan Yuan (Note 1)	Beneficial owner	36,491,001	—	36,491,001
Lee Ming Hin (Note 1)	Beneficial owner	35,000,000	—	35,000,000
Liu Wingrui (Note 1)	Beneficial owner	29,000,000	—	29,000,000
Kuan Weng Fong (Note 1)	Beneficial owner	25,000,000	—	25,000,000

Notes:

1. The interests in the unissued shares represents interests in the placing shares to be issued under the Placing.

2. Mr. Wu Wai Yin is controlling shareholders of Eftpos Limited. He is deemed to be interest in the underlying shares in which Eftpos Limited hold an interest.

Save as disclosed above, as at 31 December 2007, the Directors were not aware of any other persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

INTEREST IN COMPETING BUSINESS

During the year under review, neither the Directors nor the substantial shareholders of the Company and their respective associates had any interest in business that compete, either directly or indirectly, with the business of the Group.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Lak & Associates C.P.A. Limited as auditor of the Company.

On Behalf of the Board

Chan Siu Mun
Executive Director

Hong Kong
28 March 2008

The Company is committed to maintaining high standard of corporate governance and has applied the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 to the GEM Listing Rules by making its best effort (i) to respect the rights of the shareholders and fully recognize the legitimate interests of the shareholders; (ii) to disclose information to shareholders in a timely manner and to increase the transparency of the Company; (iii) to enhance the risk management and internal control policies of the Company; and (iv) to maintain responsible decision making so as to safeguard the interests of the shareholders and the Company as a whole.

Save as the deviations as disclosed in this report, the Company has complied with all the code provisions on corporate governance practices as set out in the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2007.

BOARD OF DIRECTORS AND BOARD MEETING

The Board of Directors, which currently comprises three executive Directors, namely Ms. Tsang Wing Yee, Mr. Chan Chi Yuen and Ms. Chan Siu Mun, and two independent non-executive Directors, namely Dr. Wong Yun Kuen and Ms. Chan Hoi Ling, is responsible for the overall management of the Group. It focuses on directing the corporate strategies and supervising the business and significant affairs of the Group while the duties of the daily operation management are delegated to the management of the Company.

According to Rules 5.05 and 5.28 of the GEM Listing Rules, every board of directors of an issuer must include at least three independent non-executive directors and the audit committee must comprise a minimum of three members. However, during the period from 6 July 2007 to 31 December 2007, the Board had only two independent non-executive Directors and the audit committee comprised only two members. Therefore, the Company was unable to strictly comply with the relevant requirements of the GEM Listing Rules during the aforementioned period.

Ms. Tsang Wing Yee and Ms. Chan Siu Mun are the chairman and chief executive officer of the Company respectively and their roles are clearly segregated.

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

Each of the independent non-executive Directors has entered into a service contract with the Company for an initial period of two years, provided that either party may terminate the appointment by giving the other not less than one month's written notice. Each of the independent non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company.

The Board held 11 meetings during the year ended 31 December 2007 and the attendance of each Director at the board meetings are set out as follows:

Executive Directors:	**Attendance**
Ms. Tsang Wing Yee	6/11
Mr. Chan Chi Yuen (Note 1)	7/7
Mr. Chan Siu Mun (Note 1)	7/7
Mr. Chan Yat Leong (Note 2)	3/4
Mr. Law Tin Fan Arthur (Note 2)	3/4
Mr. Yuen Sun Chak (Note 2)	4/4
Dr. Chan Lai Yin Simon (Note 3)	0/0
Independent Non-executive Directors:	
Dr. Wong Yun Kuen (Note 4)	6/6
Ms. Chan Hoi Ling (Note 4)	6/6
Mr. Lau Wing (Note 5)	3/5
Mr. Ho Ho Yee Alexendra (Note 5)	3/5
Prof. Lin Chinlon (Note 6)	3/4

Notes:

(1) Appointed on 23 July 2007.
(2) Resigned on 23 July 2007.
(3) Resigned on 15 February 2007.
(4) Appointed on 1 August 2007.
(5) Resigned on 1 August 2007.
(6) Resigned on 5 July 2007.

AUDIT COMMITTEE

The Company's audit committee was established on 26 November 2001 for the purpose of reviewing and supervising the Company's financial reporting and internal control procedures. The committee comprises two independent non-executive Directors, namely Ms. Chan Hoi Ling (the chairman of the committee) and Dr. Wong Yuen Kun.

In 2007, the audit committee held 4 meetings and details of the attendance of each member of the committee are set out as follows:

Committee Members	Attendance
Ms. Chan Hoi Ling (Note 1)	2/2
Dr. Wong Yuen Kun (Note 1)	2/2
Mr. Lau Wing (Note 2)	2/2
Mr. Ho Ho Yee Alexendra (Note 2)	2/2
Prof. Lin Chinlon (Note 3)	2/2

Notes:

(1) Appointed on 1 August 2007.
(2) Resigned on 1 August 2007.
(3) Resigned on 5 July 2007.

During the year, the audit committee, together with the external auditor, has reviewed the accounting policies and methods adopted by the Group and discussed with the management of the Company, inter alia, the matters relating to internal control and financial statements of the Company. Relevant recommendations have been made to the management.

REMUNERATION COMMITTEE

The remuneration committee was established on 23 March 2005 with major functions of (i) making recommendations to the Board on the Company's policies and structure for the remuneration of Directors and senior management of the Group; and (ii) determining the remuneration packages of all Directors and senior management of the Group; and (iii) reviewing and approving the performance-based remuneration.

REMUNERATION COMMITTEE *(Continued)*

The remuneration committee of the Company is chaired by Ms. Tsang Wing Yee. Other members include Dr. Wong Yun Kuen and Ms. Chan Hoi Ling. The majority of the members of the remuneration committee are independent non-executive Directors.

During the year ended 31 December 2007, a meeting of the remuneration committee was held. All members of the remuneration committee, at the time being, attended the meeting. The Company's policy for the remuneration of Directors was discussed in the meeting and no changes on the policy were recommended by the remuneration committee.

NOMINATION OF DIRECTORS

The Company has not set up a nomination committee, and Directors are nominated by existing member(s) of the Board. Board members, except the one who nominates the candidate, shall assess the candidate's suitability of becoming a board member with reference to the nominated candidate's qualification, working experience, past performance and requirements of the Company and relevant provisions in the GEM Listing Rules.

In the meeting held by the Board, it was resolved that all the existing Directors would be recommended to be retained by the Company. Furthermore, in accordance with Article 86(3) of the Company's articles of association, all existing directors, save as Ms. Tsang Wing Yee, shall retire, and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

AUDITOR'S REMUNERATION

An audit fee of approximately HK$260,000 was charged to the Group's income statement for the year ended 31 December 2007.

INTERNAL CONTROL

The Company has conducted a review, which covered the major control procedures in areas of financial and operations of the Company, on the internal control system of the Group and was satisfied with the effectiveness of the Group's internal control procedures.

FINANCIAL STATEMENTS

The responsibilities of the Directors for preparing the financial statements and the auditor's reporting responsibilities on the financial statements are set out in the auditor's report contained in this annual report.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF PROSTICKS INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of ProSticks International Holdings Limited (the "Company") set out on pages 24 to 76, which comprise the consolidated and Company balance sheets as at 31 December 2007 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Lak & Associates C.P.A. Limited
Certified Public Accountants
3rd Floor, Chinachem Tower
34-37 Connaught Road Central
Hong Kong
28 March 2008

Hui Fan
Practising Certificate Number P04692

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Continuing operation			
Revenue	7	**2,756**	5,493
Cost of sales		**(2,534)**	(2,525)
Gross profit		**222**	2,968
Other income	7	**174**	3,283
Administrative expenses		**(2,739)**	(5,667)
Other operating expenses		**(30)**	(1)
(Loss)/profit from operation		**(2,373)**	583
Finance costs	8	**—**	(563)
(Loss)/profit before taxation	8	**(2,373)**	20
Taxation	11a	**—**	—
(Loss)/profit for the year from continuing operation		**(2,373)**	20
Discontinued operation			
Loss for the year from discontinued operation	13	**—**	(535)
Loss for the year		**(2,373)**	(515)
(Loss)/earnings per share	14		
From continuing and discontinued operations			
Basic		**(1.2092 cent)**	(0.1549 cent)
Diluted		**N/A**	N/A
From continuing operation			
Basic		**(1.2092 cent)**	0.0062 cent
Diluted		**N/A**	0.0056 cent

The annexed notes on pages 29 to 76 form an integral part of these financial statements.

Consolidated Balance Sheet

At 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Plant and equipment	16	**46**	66
Intangible assets	17	**—**	—
		46	66
Current assets			
Trade and other receivables	19	**13**	669
Cash and cash equivalents	20	**22,567**	239
		22,580	908
Current liabilities			
Trade and other payables	21	**(997)**	(1,158)
Amounts due to directors	22 & 33c	**(80)**	(1,076)
Interest-bearing borrowings	23	**—**	—
		(1,077)	(2,234)
Net current assets/(liabilities)		**21,503**	(1,326)
NET ASSETS/(LIABILITIES)		**21,549**	(1,260)
CAPITAL AND RESERVES			
Share capital	24	**25,364**	14,677
Reserves	25a	**(3,815)**	(15,937)
TOTAL EQUITY		**21,549**	(1,260)

The annexed notes on pages 29 to 76 form an integral part of these financial statements.

Approved and authorized for issue by the Board of Directors on 28 March 2008.

CHAN CHI YUEN
Director

CHAN SIU MUN
Director

Balance Sheet

At 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Interests in subsidiaries	18	**12**	12
Current assets			
Amounts due from subsidiaries	18	**8,705**	—
Other receivables	19	**—**	101
Cash and cash equivalents	20	**13,663**	142
		22,368	243
Current liabilities			
Other payables	21	**(825)**	(220)
Amounts due to directors	22 & 33c	**(80)**	(1,076)
Interest-bearing borrowings	23	**—**	—
		(905)	(1,296)
Net current assets/(liabilities)		**21,463**	(1,053)
NET ASSETS/(LIABILITIES)		**21,475**	(1,041)
CAPITAL AND RESERVES			
Share capital	24	**25,364**	14,677
Reserves	25b	**(3,889)**	(15,718)
TOTAL EQUITY		**21,475**	(1,041)

The annexed notes on pages 29 to 76 form an integral part of these financial statements.

Approved and authorized for issue by the Board of Directors on 28 March 2008.

CHAN CHI YUEN
Director

CHAN SIU MUN
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Note	Share capital HK$'000	Share premium HK$'000	Share-based payment reserve HK$'000	Capital reserve HK$'000	Convertible bonds-equity component HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2006		6,517	26,798	530	24,415	399	(473)	(67,657)	(9,471)
Net loss for the year		—	—	—	—	—	—	(515)	(515)
Redemption and cancellation of convertible bonds	23	—	—	—	—	(399)	—	399	—
Issue of new shares	24	8,000	—	—	—	—	—	—	8,000
Share issue expenses		—	(212)	—	—	—	—	—	(212)
Shares issued under share option scheme	24	160	245	(69)	—	—	—	—	336
Share-based payment expenses	8	—	—	129	—	—	—	—	129
Forfeited share options expensed off to accumulated losses		—	—	(298)	—	—	—	298	—
Exchange differences on translation of the financial statements of an overseas subsidiary		—	—	—	—	—	473	—	473
At 31 December 2006 and at 1 January 2007		**14,677**	**26,831**	**292**	**24,415**	**—**	**—**	**(67,475)**	**(1,260)**
Net loss for the year		**—**	**—**	**—**	**—**	**—**	**—**	**(2,373)**	**(2,373)**
Issue of new shares pursuant to									
— share placing	**24**	**2,958**	**7,543**	**—**	**—**	**—**	**—**	**—**	**10,501**
— open offer	**24**	**7,237**	**7,237**	**—**	**—**	**—**	**—**	**—**	**14,474**
Share issue expenses		**—**	**(816)**	**—**	**—**	**—**	**—**	**—**	**(816)**
Shares issued under share option scheme	**24**	**492**	**767**	**(236)**	**—**	**—**	**—**	**—**	**1,023**
Forfeited share options expensed off to accumulated losses		**—**	**—**	**(51)**	**—**	**—**	**—**	**51**	**—**
At 31 December 2007		**25,364**	**41,562**	**5**	**24,415**	**—**	**—**	**(69,797)**	**21,549**

The annexed notes on pages 29 to 76 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	**2007** **HK$'000**	2006 HK$'000
Operating activities			
Cash used in operations	29	**(3,027)**	(2,429)
Net cash used in operating activities		**(3,027)**	(2,429)
Investing activities			
Interest received		**173**	64
Proceeds from disposal of a subsidiary (net of cash and cash equivalents disposed of)	30	**—**	(410)
Net cash from/(used in) investing activities		**173**	(346)
Financing activities			
Redemption of convertible bonds	23	**—**	(5,000)
Proceeds from issue of ordinary shares	24	**25,998**	8,336
Share issue expenses paid		**(816)**	(212)
Interest paid	8, 21 & 23	**—**	(695)
Cash repaid to directors		**—**	(528)
Net cash from financing activities		**25,182**	1,901
Net increase/(decrease) in cash and cash equivalents		**22,328**	(874)
Cash and cash equivalents at beginning of year		**239**	1,319
Effect of foreign exchange rate changes		**—**	(206)
Cash and cash equivalents at end of year	20	**22,567**	239

The annexed notes on pages 29 to 76 form an integral part of these financial statements.

1. GENERAL

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

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are shown in note 18 to the financial statements.

The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Group.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all applicable Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. The financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"). They have been prepared under the historical cost convention, except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in note 4.

The preparation of the financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7 "Financial instruments: Disclosures" and the amendment to HKAS 1 "Presentation of financial statements: Capital disclosures", there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32 "Financial instruments: Disclosure and presentation". These disclosures are provided throughout these financial statements, in particular in note 6.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 26.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 35).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (the "Group") made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Subsidiaries

Subsidiaries are entities over which the Company has the power to control, directly or indirectly, the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from date that control ceases.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (note 4(e)), unless the investment is classified as held for sale. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for to the extent of dividends received and receivable.

c) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an asset, the expenditure is capitalized as an additional cost of that asset.

The gain or loss arising from the retirement or disposal of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognized as income or expense in the income statement. Improvements are capitalized and depreciated over their expected useful lives.

Depreciation is provided to write off the cost of the assets to their estimated residual value, if any, over their estimated useful lives from the date on which they become fully operational, using the straight-line method, at the following rates per annum:

Leasehold Improvements	Over the terms of the relevant leases
Equipment	20%
Furniture and Fixtures	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

d) Intangible assets — research and development costs

Expenditure on research activities is recognized as an expense in the year in which it is incurred.

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

The development costs that have been capitalized are amortized from the commencement of sale of products or provision of services on a straight-line method not more than three years or over the useful lives of such applications, whichever are shorter.

e) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

f) Leased assets

Leases that transfer substantially all the risks and rewards of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases are included in plant and equipment and depreciated over the shorter of the lease terms and the useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

f) Leased assets *(Continued)*

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

g) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost less impairment losses for bad and doubtful debts except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and a licensed corporation, and short-term, highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

i) Trade and other payables

Trade and other payables are initially recognized at fair value and thereafter stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

j) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings using the effective interest method.

k) Taxation

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in the income statement except to the extent that they relate to items recognized directly in equity, in which case they are recognized in equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

k) Taxation *(Continued)*

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.

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.

Apart from certain limited exceptions, 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 utilized, are recognized.

The amount of deferred tax recognized is measured based on the expected manner of realization 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 utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

l) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Company or the 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

m) Translation of foreign currencies

The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rate for the year. The resulting exchange differences are included in a separate component of equity, the exchange reserve. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

n) Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

System services and maintenance income is recognized when services are rendered.

Interest income is recognized as it accrues using the effective interest method.

o) Borrowing costs

All borrowing costs are recognized as and included in finance costs in the income statement in the period in which they are incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

a) The obligations for contributions to defined contribution retirement scheme are recognized as an expense in the income statement as incurred. The assets of the scheme are held separately from those of the Group in an independent administered fund.

b) Employee entitlements to annual leave and long service payments are recognized when they accrue to employees. A provision will be made for the estimated liability for annual leave and long service payments as a result of services rendered by employees up to the balance sheet date.

c) Employee entitlements to sick leave and maternity or paternity leave are not recognized until the time of leave.

(ii) Share-based payments

The Group operates equity-settled share-based compensation scheme ("Scheme") to remunerate its employees.

For share options granted under the Scheme, the fair value of the employee's services rendered in exchange for the grant of the options is recognized as an expense immediately and credited to the share-based payment reserve under equity. Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognizes the fair value of the options granted over the vesting periods. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of the original estimates, if any, in the income statement, and a corresponding adjustment to the share-based payment reserve.

Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price over the nominal value of the shares is recorded by the Company in the share premium account. The equity amount is recognized in the share-based payment reserve until the option is exercised when it is transferred to the share premium account. If the options lapse unexercised, the related share-based payment reserve is transferred directly to retained earnings.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

q) Convertible bonds

Convertible bonds that can be converted into share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. At initial recognition, the liability component of the convertible bonds is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognized as the liability component is recognized as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortized cost. The interest expense recognized in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognized in the capital reserve until either the bonds are converted or redeemed.

If the bond is converted, the capital reserve, together with the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to retained profits.

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 financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

r) Segment reporting *(Continued)*

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

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

s) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly, through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

t) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

t) Discontinued operations *(Continued)*

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

i. the post-tax profit or loss of the discontinued operation; and

ii. the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

u) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

a) Depreciation

The Group depreciates the plant and equipment on a straight-line basis over the estimated useful life of five years and the terms of the relevant leases, commencing from the date the plant and equipment is placed into productive use. The estimated useful life and dates that the Group places the plant and equipment into productive use reflect the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's plant and equipment.

b) Impairment of receivables

The provision for impairment of receivables of the Group is based on the management's evaluation of collectability and aging analysis of the debts and receivables. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the current credit-worthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate resulting in an impairment of their ability to make payments, additional allowances may be required.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

c) Income taxes

As at 31 December 2007, a deferred tax asset of HK$46,000 in relation to unused tax losses was recognized in the Group's financial statements. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in the income statement for the period in which such a reversal takes place.

d) Valuation of share options granted

The fair value of share options granted was calculated using the Black-Scholes valuation model which requires the management's estimates and assumptions on significant calculation inputs, including the estimated life of share options granted, the volatility of share price and expected dividend yield. Change in the subjective input assumptions could materially affect the fair value estimate.

6. FINANCIAL RISK MANAGEMENT

Exposure to currency, credit, interest rate and liquidity risks arises in the normal course of the Group's business. These risks are mitigated by the Group's financial management policies and practices described below:

i) Foreign currency risk

The Group has transactional currency exposures, primarily with respect to United States dollar for both years. Such exposures arise from provision of service income in currencies other than the Group's functional currency (i.e. Hong Kong dollar). Approximately 72% (2006: 48%) of the Group's sales are denominated in United States dollar whilst 100% (2006: 95%) of the costs of services are denominated in the Group's functional currency.

In 2006, certain transactions were denominated in Renminbi and Canadian dollar but the amount involved did not exceed 3% for both the service income and cost of services.

As Hong Kong dollar is closely linked with United States dollar and the Group's transaction amounts in other foreign currencies are relatively immaterial, the management considers that the Group has no significant foreign currency risk. The Group has not used any financial instrument for hedging purpose.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

i) Foreign currency risk *(Continued)*

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the Group to which they relate.

	2007			2006		
	US$ '000	**CAD '000**	**AUD '000**	US$ '000	CAD '000	AUD '000
Trade and other receivables	**1**	**—**	**—**	20	—	—
Cash and cash equivalents	**1**	**1**	**—**	1	1	—
Trade and other payables	**(12)**	**—**	**(2)**	(23)	—	—
Overall net exposure	**(10)**	**1**	**(2)**	(2)	1	—

Sensitivity analysis

In view of limited foreign currency exposure faced by the Group, the change in the Group's loss after tax and accumulated losses in response to reasonably possible changes in foreign exchange rates was insignificant.

ii) Credit risk

The Group's maximum exposure to credit risk is represented by the carrying amount of cash balances at banks and a licensed corporation. The credit risk on these assets is limited because the time deposits and other cash and bank balances were placed with either a reputable licensed corporation or creditworthy commercial banks in Hong Kong.

For 2006, the Group's credit risk was also attributable to trade receivable. The Group manages its exposure to credit risk through continual monitoring of the credit quality of its customers, taking into account their financial position, collection history, past experience and other relevant factors.

Customers of the Group are mainly banks and financial institutions. Since the Group only grants credit to reputable banks and financial institutions, there is no requirement for collateral from its customers. At 31 December 2007, the Group has no outstanding trade receivable (2006: HK$555,000). In 2006, 23% of trade receivable was due from the Group's largest customer.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

iii) Interest rate risks

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

Sensitivity analysis

The Group's exposure to market risk for changes in interest rate relates primarily to short-term deposits at a licensed corporation which bear floating interest rates. As at 31 December 2007, if interest rates had increased or decreased by 0.5% and all other variables were held constant, the Group's loss for the year would be decreased or increased by approximately HK$44,000 (2006: HK$1,000). The Group has no significant interest-bearing liabilities.

iv) Liquidity risk

The Group has a strong financial position as at 31 December 2007 with cash and cash equivalents amounting approximately HK$22,567,000.

Internally generated cash flow and funds raising from placing of shares during the year are the general sources of funds to finance the operation of the Group. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations.

The total contractual undiscounted cash flows of the Group's and the Company's non-derivative financial liabilities are the same as their carrying amounts as their remaining contractual liabilities maturities are within one year.

7. REVENUE AND OTHER INCOME

The Group was principally engaged in the development, production and distribution of operational software application products. The business of financial instruments analysis software products was discontinued during the year 2006.

Revenue and other income recognized by category, for both continuing and discontinued operations, are as follows:—

	2007 HK$'000	2006 HK$'000
Continuing operation		
Revenue		
System services and maintenance income	**2,756**	5,493
Other income		
Interest income	**173**	63
Exchange gain	**1**	210
Gain on novation of a loan (note)	**—**	3,000
Others	**—**	10
	174	3,283
	2,930	8,776
Discontinued operation (note 13)		
Revenue		
Membership subscription fees	**—**	738
System services and maintenance income	**—**	483
	—	1,221
Other income		
Interest income	**—**	1
Exchange loss	**—**	(1)
Gain on disposal of a subsidiary	**—**	1,154
Others	**—**	10
	—	1,164
	—	2,385
Total	**2,930**	11,161

Note: The amount represented the gain arising from the novation of an unsecured loan of HK$3,000,000 owed by the Company in 2006 as set out in note 23(ii) to the financial statements.

8. (LOSS)/PROFIT BEFORE TAXATION

	Continuing operation		Discontinued operation		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
This is stated after charging:						
Finance costs						
Interest on convertible bonds wholly repayable within five years	**—**	488	**—**	—	**—**	488
Interest on other loans wholly repayable within five years	**—**	75	**—**	—	**—**	75
	—	563	**—**	—	**—**	563
Other items						
Staff costs (including Directors' emoluments (note 9))						
— Basic salaries and allowances	**1,296**	4,579	**—**	871	**1,296**	5,450
— Contributions to defined contribution plans	**28**	123	**—**	27	**28**	150
— Share-based payment expenses (note 27)	**—**	129	**—**	—	**—**	129
— Miscellaneous	**1**	10	**—**	93	**1**	103
	1,325	4,841	**—**	991	**1,325**	5,832
Auditors' remuneration	**260**	200	**—**	—	**260**	200
Depreciation of plant and equipment						
— included in cost of sales	**—**	—	**—**	62	**—**	62
— included in administrative expenses	**20**	21	**—**	(2)	**20**	19
	20	21	**—**	60	**20**	81
Operating leases charges						
— Premises	**45**	—	**—**	194	**45**	194
— Plant and equipment	**—**	—	**—**	79	**—**	79
	45	—	**—**	273	**45**	273
Research and development expenditure (included in administrative expenses)	**—**	1,338	**—**	346	**—**	1,684
Bad debt written off	**—**	—	**—**	1	**—**	1
Other deposit forfeited	**30**	—	**—**	—	**30**	—
Write-off of plant and equipment	**—**	2	**—**	5	**—**	7
Exchange reserve transferred to consolidated income statement upon dissolution of a foreign subsidiary	**—**	—	**—**	679	**—**	679
and crediting:						
Interest income	**173**	63	**—**	1	**173**	64
Exchange gain/(loss)	**1**	210	**—**	(1)	**1**	209
Gain on novation of a loan	**—**	3,000	**—**	—	**—**	3,000
Gain on disposal of a subsidiary	**—**	—	**—**	1,154	**—**	1,154

9. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and the GEM Listing Rules are as follows:

2007	**Directors' fees HK$'000**	**Salaries, allowances and benefits in kind HK$'000**	**Discretionary bonus HK$'000**	**Retirement scheme contributions HK$'000**	**Share-based payments HK$'000**	**Total HK$'000**
Executive Directors						
Dr. Chan Lai Yin Simon (note i)	**—**	**1**	**—**	**1**	**—**	**2**
Mr. Chan Yat Leong (note ii)	**—**	**250**	**—**	**5**	**—**	**255**
Mr. Law Tin Fan Arthur (note ii)	**—**	**250**	**—**	**5**	**—**	**255**
Mr. Yuen Sun Chak (note ii)	**—**	**250**	**—**	**5**	**—**	**255**
Ms. Tsang Wing Yee (note iii)	**—**	**320**	**—**	**5**	**—**	**325**
Ms. Chan Siu Mun (note iv)	**—**	**—**	**—**	**—**	**—**	**—**
Mr. Chan Chi Yuen (note iv)	**—**	**—**	**—**	**—**	**—**	**—**
Independent Non-executive Directors						
Ms. Chan Hoi Ling (note v)	**25**	**—**	**—**	**—**	**—**	**25**
Dr. Wong Yun Kuen (note v)	**25**	**—**	**—**	**—**	**—**	**25**
Mr. Ho Ho Yee Alexendra (note vi)	**—**	**—**	**—**	**—**	**—**	**—**
Mr. Lau Wing (note vi)	**—**	**—**	**—**	**—**	**—**	**—**
Prof. Lin Chinlon (note vii)	**—**	**—**	**—**	**—**	**—**	**—**
	50	**1,071**	**—**	**21**	**—**	**1,142**

2006	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
Executive Directors						
Mr. Li Ching Ping Vincent (note viii)	—	960	—	8	—	968
Mr. Fung Yan Shun (note viii)	—	250	—	5	—	255
Dr. Chan Lai Yin Simon (note i)	—	81	—	7	5	93
Mr. Chan Yat Leong (note ii)	—	350	—	7	5	362
Mr. Law Tin Fan Arthur (note ii)	—	350	—	7	18	375
Ms. Tsang Wing Yee (note iii)	—	350	—	7	5	362
Mr. Yuen Sun Chak (note ii)	—	350	—	7	18	375
Independent Non-executive Directors						
Mr. Ho Ho Yee Alexendra (note vi)	—	—	—	—	5	5
Mr. Lau Wing (note vi)	—	—	—	—	5	5
Prof. Lin Chinlon (note vii)	—	—	—	—	5	5
Mr. Ng Ge Bun (note ix)	46	—	—	—	—	46
Mr. Wan Yiu Kwan Stephen (note ix)	46	—	—	—	—	46
Mr. Lee Kar Wai (note ix)	46	—	—	—	—	46
	138	2,691	—	48	66	2,943

9. DIRECTORS' EMOLUMENTS *(Continued)*

Notes:

i. Dr. Chan Lai Yin Simon was appointed on 31 May 2006 and resigned on 15 February 2007.

ii. The directors were appointed on 31 May 2006 and resigned on 23 July 2007.

iii. The director was appointed on 31 May 2006.

iv. The directors were appointed on 23 July 2007.

v. The directors were appointed on 1 August 2007.

vi. The directors were appointed on 31 May 2006 and resigned on 1 August 2007.

vii. Prof. Lin Chinlon was appointed on 1 September 2006 and resigned on 5 July 2007.

viii. Mr. Li Ching Ping Vincent and Mr. Fung Yan Shun resigned on 1 September 2006 and 31 May 2006 respectively.

ix. The directors resigned on 31 May 2006.

x. In 2006, the amounts of share-based payments were measured according to the Group's accounting policies for share-based payment transactions as set out in note 4p(ii) to the financial statements. Particulars of share options to the directors under the Company's share option scheme are set out in note 27 to the financial statements.

xi. There were no arrangements under which a Director waived or agreed to waive any emolument during both years presented.

xii. During the years ended 31 December 2007 and 2006, no emoluments were paid by the Group to the Directors as inducement to join or upon joining the Group or as compensation for loss of office.

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals include one existing Director and three former Directors (2006: four existing Directors and one former Director), details of whose emoluments are set out in note 9 above. The details of the emoluments paid to the remaining highest paid employees in 2007 and 2006 are as follows:

	2007	2006
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**175**	—
Retirement scheme contributions	**7**	—
	182	—

Note: During the years ended 31 December 2007 and 2006, no emoluments were paid by the Group to the five highest paid individuals (other than the Directors) as inducement to join or upon joining the Group or as compensation for loss of office.

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

	Number of employees	
	2007	2006
Nil to HK$1,000,000	**1**	—

11. TAXATION

a) No Hong Kong or overseas income taxes have been provided for in the financial year as neither the Company nor any of its subsidiaries derived any profit that is subject to Hong Kong or overseas income taxes (2006: HK$Nil).

11. TAXATION *(Continued)*

b) Reconciliation of tax expense

	2007	2006
	HK$'000	HK$'000
Loss before taxation	**(2,373)**	(515)
Income tax at rates applicable to profits in the tax jurisdiction	**(415)**	(145)
Tax effect of non-deductible expenses	**152**	204
Tax effect of non-taxable income	**(30)**	(831)
Tax effect of unrecognized tax losses	**327**	958
Tax effect of prior year's tax losses utilized	**(37)**	(203)
Tax effect of unrecognized temporary differences	**3**	17
Tax expense for the year	**—**	—

The applicable tax rates are the appropriate current rates of taxation ruling in the relevant countries in which the Group operates.

12. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders includes a loss of approximately HK$2,666,000 (2006: HK$6,141,000) which has been dealt with in the financial statements of the Company.

13. DISCONTINUED OPERATION

On 27 March 2006, the Group entered into a sale and purchase agreement to dispose of a subsidiary, ProSticks.com Limited, which carried out a substantial part of the Group's operation of financial instruments analysis software products and a limited portion of the Group's operation of operational software application products. The subsidiary has sustained net losses in the past consecutive years and the disposal was effected in order to relieve the Group from continuous losses and cash outflow. The disposal was completed on 31 May 2006, on which date control of ProSticks.com Limited was passed to the purchaser.

ProSticks Financial Solutions Limited, an overseas subsidiary of the Company which was mainly engaged in the operation of financial instruments analysis software products, has ceased its operation since 31 August 2006 and was dissolved in October 2006. The Group's operation of financial instruments analysis software products has been ceased completely since then.

13. DISCONTINUED OPERATION *(Continued)*

The loss from the discontinued operation is analyzed as follows:

	2007 **HK$'000**	2006 HK$'000
Loss for the year from discontinued operation	—	(1,010)
Gain on disposal of a subsidiary	—	1,154
Exchange reserve transferred to consolidated income statement upon dissolution of a foreign subsidiary	—	(679)
	—	(535)

The results of the discontinued operation, which have been included in the consolidated income statement, were as follows:

	2007 **HK$'000**	2006 HK$'000
Revenue	—	1,221
Cost of sales	—	(727)
Other income	—	10
Advertising and promotion expenses	—	(65)
Administrative expenses	—	(1,443)
Other operating expenses	—	(6)
Loss before taxation	—	(1,010)
Taxation	—	—
Loss for the year	—	(1,010)

The net cash flows incurred by the discontinued operation are as follows:

	2007 **HK$'000**	2006 HK$'000
Operating activities	—	(1,379)
Investing activities	—	(409)
Net cash outflows	—	(1,788)

14. (LOSS)/EARNINGS PER SHARE

The calculation of the basic loss per share amounts is based on the loss for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the issue of shares and exercise of share options during the year.

In 2006, the calculation of diluted earnings per share from continuing operation is based on the profit from continuing operation for the year attributable to equity holders of the Company, adjusted to reflect the effective interest on the liability component of the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during the year 2006, as used in the basic (loss)/earnings per share calculation, plus the weighted average number of ordinary shares that would be issued on the exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

	2007 **HK$'000**	2006 HK$'000
(Loss)/profit attributable to equity holders of the Company		
from continuing operation	**(2,373)**	20
from discontinued operation	**—**	(535)
	(2,373)	(515)
Effective interest on the liability component of convertible bonds	**—**	488
Loss attributable to equity holders of the Company (diluted)	**(2,373)**	(27)
Attributable to:		
continuing operation	**(2,373)**	508*
discontinued operation	**—**	(535)
	(2,373)	(27)

Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share

	2007 **'000**	2006 '000
Issued ordinary shares at 1 January	**146,770**	651,700
Effect of share consolidation (note 24)	**—**	(367,987)
Effect of issue of new shares (note 24)	**46,626**	48,219
Effect of exercise of share options (note 27)	**2,916**	324
Weighted average number of ordinary shares	**196,312**	332,256

14. (LOSS)/EARNINGS PER SHARE *(Continued)*

Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share

	2006
	’000
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	332,256
Effect of deemed conversion of convertible bonds (note 23)	76,043
Effect of deemed exercise of outstanding share options (note 27)	31,572
Weighted average number of ordinary shares (diluted)	439,871*

* The convertible bonds had an anti-dilutive effect on the basic (loss)/earnings per share for the year 2006 as it will increase the earnings per share amounts and decrease the loss per share amounts when they were taken into account in the calculation of the diluted earnings/(loss) per share amounts. Therefore, the dilutive effects of convertible bonds were ignored in the calculation of diluted earnings per share from continuing operation, which was based on the profit attributable to continuing operation of approximately HK$20,000, and the weighted average of approximately 363,828,000 ordinary shares in issue during the year 2006.

No amounts are presented for the diluted loss per share because the Pre-IPO Share Options and Share Options outstanding during the year ended 31 December 2007 had an anti-dilutive effect on the basic loss per share for the said year.

No diluted loss per share from continuing and discontinued operations for the year ended 31 December 2006 has been disclosed as the convertible securities outstanding during the said year had an anti-dilutive effect on the basic loss per share for the said year.

A potential ordinary share transaction that occurred after the balance sheet date and that would have changed significantly the potential ordinary share outstanding at the balance sheet date if the transaction had occurred before the balance sheet date is set out in note 34(c).

15. SEGMENT REPORTING

(a) Primary reporting format — business segments

In 2006, the Group comprised two major business segments:

(i) Financial instruments analysis software products ("FIASP")

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

(ii) Operational software application products ("OSAP")

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

Since the Group's disposal of FIASP operation in 2006, the Group has only one business segment during the year.

	Continuing operation		Discontinued operation						Consolidated	
	OSAP 2007 HK$'000	OSAP 2006 HK$'000	**FIASP 2007 HK$'000**	FIASP 2006 HK$'000	**OSAP 2007 HK$'000**	OSAP 2006 HK$'000	**Sub-total 2007 HK$'000**	Sub-total 2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Revenue										
Segment revenue	**2,756**	5,493	**—**	738	**—**	483	**—**	1,221	**2,756**	6,714
Result										
Segment result	**202**	1,545	**—**	292	**—**	(732)	**—**	(440)	**202**	1,105
Unallocated operating income and expenses	**(2,575)**	(962)					**—**	(95)	**(2,575)**	(1,057)
(Loss)/profit from operations	**(2,373)**	583					**—**	(535)	**(2,373)**	48
Finance costs									**—**	(563)
Loss before taxation									**(2,373)**	(515)
Taxation									**—**	—
Loss for the year									**(2,373)**	(515)
Assets and liabilities										
Segment assets	**46**	621	**—**	—	**—**	—	**—**	—	**46**	621
Unallocated assets	**22,580**	353	**—**	—	**—**	—	**—**	—	**22,580**	353
Total assets	**22,626**	974					**—**	—	**22,626**	974
Segment liabilities	**162**	933	**—**	—	**—**	—	**—**	—	**162**	933
Unallocated liabilities	**915**	1,301	**—**	—	**—**	—	**—**	—	**915**	1,301
Total liabilities	**1,077**	2,234					**—**	—	**1,077**	2,234
Other information										
Depreciation for the year	**20**	21	**—**	18	**—**	29	**—**	47		
Bad debt written off	**—**	—	**—**	1	**—**	—	**—**	1		
Write-off of plant and equipment	**—**	2	**—**	5	**—**	—	**—**	5		

(b) Secondary reporting format — geographical segments

The Group's operations are principally located in Hong Kong throughout the year and therefore no analyses by geographical segments are provided.

16. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Equipment HK$'000	Furniture and fixtures HK$'000	Total HK$'000
The Group				
Cost				
At 1 January 2006	150	2,304	181	2,635
Exchange adjustments	—	6	—	6
Disposal of a subsidiary	—	(2,059)	(181)	(2,240)
Write-off	(150)	(150)	—	(300)
At 31 December 2006, 1 January 2007 and 31 December 2007	—	101	—	101
Accumulated depreciation and impairment losses				
At 1 January 2006	144	1,862	151	2,157
Exchange adjustments	—	6	—	6
Charge for the year	6	83	(8)	81
Eliminated on disposal of a subsidiary	—	(1,773)	(143)	(1,916)
Eliminated on write-off	(150)	(143)	—	(293)
At 31 December 2006 and 1 January 2007	—	35	—	35
Charge for the year	—	20	—	20
At 31 December 2007	—	55	—	55
Carrying amount				
At 31 December 2007	—	46	—	46
At 31 December 2006	—	66	—	66

17. INTANGIBLE ASSETS

	Financial software application HK$'000	Development costs HK$'000	Total HK$'000
The Group			
Cost			
At 1 January 2006	1,800	851	2,651
Disposal of a subsidiary	(1,800)	(851)	(2,651)
At 31 December 2006, 1 January 2007 and 31 December 2007	—	—	—
Accumulated amortization and impairment losses			
At 1 January 2006	1,800	851	2,651
Eliminated on disposal of a subsidiary	(1,800)	(851)	(2,651)
At 31 December 2006, 1 January 2007 and 31 December 2007	—	—	—
Carrying amount			
At 31 December 2007 and 31 December 2006	—	—	—

The cost and impairment losses were fully eliminated upon disposal of a subsidiary during the year 2006.

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**12**	12
Due from subsidiaries	**8,858**	—
Less: Impairment of amount due from a subsidiary	**(153)**	—
	8,705	—
	8,717	12

Movements on the provision for impairment of an amount due from a subsidiary are as follows:

	The Company	
	2007	2006
	HK$'000	HK$'000
At 1 January	**—**	—
Provision for impairment	**153**	—
At 31 December	**153**	—

The provision for impairment of an amount due from a subsidiary was concluded from the assessment of the financial position of that subsidiary.

The maximum exposure to credit risk at the reporting date is the fair value of the amounts due from subsidiaries mentioned above.

The amounts due from subsidiaries included in the Company's current assets are unsecured, interest free and repayable on demand. The carrying amounts of the amounts due from subsidiaries approximate their fair values.

18. INTERESTS IN SUBSIDIARIES *(Continued)*

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

Name of subsidiary	Place of incorporation and operations	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by the subsidiary	Principal activities
ProSticks (B.V.I.) Limited*	British Virgin Islands	US$1,235,700 Ordinary	100%	100%	—	Investment holding
iEngines Limited	Hong Kong	HK$5,000,000 Ordinary	100%	—	100%	Development and provision of operational software application products
HIS Photonic Systems Limited	Hong Kong	HK$1 Ordinary	100%	—	100%	Inactive
Up High Investments Limited*^	British Virgin Islands	US$1 Ordinary	100%	—	100%	Inactive
Wise Gate Investments Limited*^	British Virgin Islands	US$1 Ordinary	100%	—	100%	Investment holding (note 34(b))

* Not audited by Messrs. Lak & Associates C.P.A. Limited.

^ These subsidiaries are established by the Group in 2007.

19. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivable	**—**	555	**—**	—
Other receivables				
Deposits, prepayments and other debtors	**13**	114	**—**	101
	13	669	**—**	101

All of the trade and other receivables are expected to be recovered within one year. An aging analysis of the trade receivable as at the balance sheet date, based on the invoice date and net of impairment losses for bad and doubtful debts is as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
Within 30 days	**—**	255
Between 31 days and 60 days	**—**	81
Between 61 days and 90 days	**—**	—
Over 90 days	**—**	219
	—	555

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

19. TRADE AND OTHER RECEIVABLES *(Continued)*

The aging analysis of trade receivable that are not considered to be impaired is as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
Neither past due nor impaired	**—**	255
Less than 30 days past due	**—**	81
Between 31 to 90 days past due	**—**	—
Between 91 to 180 days past due	**—**	159
Between 181 days to 365 days past due	**—**	60
	—	555

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that had a good track record with the Group. Based on the past experience of the Group, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The carrying amounts of the trade and other receivables approximate their fair values.

Included in the trade and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2007	2006	**2007**	2006
United States Dollars (US$'000)	**1**	20	**—**	—

20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank balances	**15,286**	225	**13,663**	140
Cash balances at licensed corporation	**145**	—	**—**	—
Cash balances	**12**	14	**—**	2
	15,443	239	**13,663**	142
Non-pledged time deposits at licensed corporation	**7,124**	—	**—**	—
Cash and cash equivalents in the consolidated cash flow statement	**22,567**	239	**13,663**	142

Included in the cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2007	2006	**2007**	2006
United States Dollars (US$'000)	**1**	1	**—**	—
Canadian Dollars (CAD'000)	**1**	1	**—**	—

Cash at banks and licensed corporation earn interest at floating rates based on daily bank/licensed corporation deposits rates. Short term time deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates ranging from 2% to 5% p.a. (2006: Nil). The carrying amounts of the cash and cash equivalents and the non-pledged time deposit approximate their fair values.

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payable	**89**	503	**—**	—
Other payables				
Receipts in advance				
— system services and maintenance income	**26**	177	**—**	—
— trade deposit received	**47**	195	**—**	—
Accrued charges and other creditors	**835**	283	**825**	220
	997	1,158	**825**	220

All of the trade and other payables are expected to be settled within one year. An aging analysis of the trade payable as at the balance sheet date is as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
Within 30 days	**62**	252
Between 31 days and 60 days	**27**	251
	89	503

The carrying amounts of the trade and other payables approximate their fair values.

21. TRADE AND OTHER PAYABLES *(Continued)*

Included in the trade and other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2007	2006	**2007**	2006
United States Dollars (US$'000)	**12**	23	**8**	—
Australian Dollars (AUD'000)	**2**	—	**2**	—

22. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest-free and repayable on demand. The amounts have been fully settled subsequent to the balance sheet date. The carrying amounts of the amounts due to directors approximate their fair values.

23. INTEREST-BEARING BORROWINGS

	The Group and The Company	
	2007	2006
	HK$'000	HK$'000
Current		
Repayable within one year		
— Convertible bonds (Note i)	**—**	—
Non-current		
Repayable after one year but not exceeding 2 years		
— Convertible bonds (Note i)	**—**	—
— Unsecured loan (Note ii)	**—**	—
	—	—
	—	—

23. INTEREST-BEARING BORROWINGS *(Continued)*

The convertible bonds of the Company bore interest at floating interest rates. The fair value of the liability component of the convertible bonds was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount was assigned as the equity component and was included in shareholders' equity.

The net proceeds received from the issue of the convertible bonds were split between the liability and equity components, as follows:

	The Group and The Company	
	2007	2006
	HK$'000	HK$'000
Nominal value of convertible bonds issued on:		
— 1 September 2004	**—**	—
— 22 August 2005	**—**	—
Total nominal value of convertible bonds	**—**	—
Equity component	**—**	—
Liability component at the issuance date	**—**	—
Liability component at beginning of the year	**—**	6,828
Interest expense at effective interest rate	**—**	488
Interest expense at coupon rate	**—**	(316)
Redemption and cancellation of convertible bonds during the year	**—**	(7,000)
Liability component at the end of the year, at amortized cost	**—**	—

During the year of 2006, interest expense on the convertible bonds was calculated using the effective interest method by applying the effective interest rate of Hong Kong prime rate plus 3% per annum to the liability component.

23. INTEREST-BEARING BORROWINGS *(Continued)*

Notes:

(i) Convertible bonds

On 1 September 2004, two convertible bonds in aggregate principal amount of HK$5,000,000 were issued by the Company. The bonds bore interest at the rate of Hong Kong prime rate less 0.5% per annum. The whole principal amount of the bonds together with any outstanding interest was repayable on 1 September 2006. The bondholders had a right to convert all or part of the principal of the bonds into ordinary shares of the Company before the maturity date at an initial conversion price of HK$0.50 per share (after adjustment for share consolidation of the Company effected during the year 2006). A total of 10,000,000 new shares would be issued upon full conversion of the bonds. No parts of the principal of the bonds were converted during the year of 2006. The two convertible bonds were fully redeemed on 31 August 2006.

On 22 August 2005, the Company issued a convertible bond in aggregate principal amount of HK$2,000,000, which bore interest at the rate of Hong Kong prime rate per annum. The whole principal amount of the bond together with any outstanding interest was repayable on 21 February 2007. The bondholder had the right to convert all or part of the principal of the bond into ordinary shares of the Company before the maturity date at an initial conversion price of HK$0.21 per share (after adjustment for share consolidation of the Company effected during the year of 2006). A total of 9,523,809 new shares would be issued upon full conversion of the bond. No parts of the principal of the bond were converted during the year of 2006. The convertible bond was cancelled as a consideration for the disposal of a subsidiary on 31 May 2006 as set out in note 30 to the financial statements.

(ii) Unsecured loan

The Company borrowed an unsecured loan of HK$3,000,000 ("the Loan") pursuant to the loan agreement dated 22 March 2005. The Loan bore interest at a fixed rate of 6% per annum and was repayable on 1 April 2007.

On 31 May 2006, the Company entered into a novation agreement with Mr. Li Ching Ping Vincent ("Mr. Li"), a former director of the Company, and Rapid Falcon Limited, the creditor of the Loan, pursuant to which, Mr. Li agreed to assume all liabilities in connection with the Loan in replacement of the Company at a consideration of HK$1.

24. SHARE CAPITAL

	2007 Number of shares	2007 HK$'000	2006 Number of shares	2006 HK$'000
Authorized:				
At 1 January				
Ordinary shares of				
HK$0.10 (2006: HK$0.01) each	**800,000,000**	**80,000**	8,000,000,000	80,000
Share consolidation (note i)	**—**	**—**	(7,200,000,000)	—
At 31 December				
Ordinary shares of				
HK$0.10 each	**800,000,000**	**80,000**	800,000,000	80,000
Issued and fully paid:				
At 1 January				
Ordinary shares of				
HK$0.10 (2006: HK$0.01) each	**146,770,000**	**14,677**	651,700,000	6,517
Share consolidation (note i)	**—**	**—**	(586,530,000)	—
Issue of new shares				
pursuant to				
— share placing (note ii)	**29,584,000**	**2,958**	80,000,000	8,000
— open offer (note iii)	**72,367,600**	**7,237**	—	—
Shares issued on exercise of				
share options (note iv)	**4,920,250**	**492**	1,600,000	160
At 31 December				
Ordinary shares of				
HK$0.10 each	**253,641,850**	**25,364**	146,770,000	14,677

Notes:

i) Subsequent to an ordinary resolution passed at the extraordinary general meeting held on 16 May 2006, every ten issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company were consolidated into one consolidated share of HK$0.10 each in the share capital of the Company with effect from 17 May 2006.

24. SHARE CAPITAL *(Continued)*

Notes: *(Continued)*

ii) Pursuant to a subscription agreement entered into by the Company with Magic Key International Holdings Limited, the controlling shareholder of the Company dated 4 June 2007, 29,584,000 ordinary shares of HK$0.10 each at the subscription price of HK$0.355 per share was issued on 14 June 2007. The net proceeds from the subscription of shares, after deducting all related expenses, were approximately HK$10,201,000. The Company has utilised the net proceeds for general working capital of the Company. The shares rank pari passu with the existing shares in all respects.

Pursuant to a subscription agreement approved by the shareholders on 16 May 2006, 80,000,000 ordinary shares of HK$0.10 each were issued for cash to Magic Key International Holdings Limited and Boyce Limited on 26 May 2006. The shares rank pari passu with the existing shares in all respects.

iii) On 1 August, 2007, the Company issued 72,367,600 ordinary shares of HK$0.10 each at a price of HK$0.20 per share pursuant to the open offer on the basis of two offer shares for every five existing shares held on 29 June 2007. The net proceeds from the open offer, after deducting all related expenses, were approximately HK$13,958,000. The shares rank pari passu with the existing shares in all respects.

iv) During the year, share options were exercised to subscribe for 4,920,250 (2006: 1,600,000) ordinary shares of the Company at a total consideration of approximately HK$1,023,000 (2006: HK$336,000) of which approximately HK$492,000 (2006: HK$160,000) were credited to share capital and the balance of approximately HK$531,000 (2006: HK$176,000) were credited to the share premium account.

Details of the share options exercised are as follows:

	Number of shares issued
Date of issue	
17 April 2007	1,160,000
7 May 2007	1,005,000
6 June 2007	2,400,000
31 October 2007	355,250
	4,920,250

25. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 27 of the annual report.

(b) The Company

	Note	Share premium HK$'000	Share-based payment reserve HK$'000	Convertible bonds-equity component HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2006		26,798	530	399	(37,397)	(9,670)
Net loss for the year		—	—	—	(6,141)	(6,141)
Redemption and cancellation of convertible bonds	23	—	—	(399)	399	—
Shares issued under share option scheme	24	245	(69)	—	—	176
Share issue expenses		(212)	—	—	—	(212)
Share-based payment expenses	27	—	129	—	—	129
Forfeited share options expensed off to accumulated losses		—	(298)	—	298	—
At 31 December 2006 and at 1 January 2007		**26,831**	**292**	**—**	**(42,841)**	**(15,718)**
Net loss for the year		**—**	**—**	**—**	**(2,666)**	**(2,666)**
Issue of new shares pursuant to						
— share placing	**24**	**7,543**	**—**	**—**	**—**	**7,543**
— open offer	**24**	**7,237**	**—**	**—**	**—**	**7,237**
Shares issued under share option scheme	**24**	**767**	**(236)**	**—**	**—**	**531**
Share issue expenses		**(816)**	**—**	**—**	**—**	**(816)**
Forfeited share options expensed off to accumulated losses		**—**	**(51)**	**—**	**51**	**—**
At 31 December 2007		**41,562**	**5**	**—**	**(45,456)**	**(3,889)**

25. RESERVES *(Continued)*

(b) The Company *(Continued)*

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

Pursuant to the Companies Law of the Cayman Islands and the Company's Articles of Association, the share premium of the Company is distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay its debts as they fall due in the ordinary course of business. As at 31 December 2007, in the opinion of the Directors, the Company did not have any reserve available for distribution to shareholders (2006: HK$Nil).

The share-based payment reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 27 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated losses should the related options expire or be forfeited.

26. CAPITAL MANAGEMENT

Capital comprises share capital and reserves stated on the balance sheet. The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analyses. The objectives and policies were unchanged during the years presented.

With a view to coping with business development and strengthening the financial position of the Group, placing of shares was made during the year as set out in note 24.

The Group is not subject to either internally or externally imposed capital requirements.

27. SHARE-BASED EMPLOYEE COMPENSATION

Pre-IPO Share Option Scheme

The Company adopted a Pre-IPO Share Option Scheme on 24 November 2001, pursuant to which, the Board might during the period commencing on the adoption date of the Pre-IPO Share Option Scheme and ending on the day immediately prior to the day when bulk printing of the prospectus for listing of shares of the Company took place grant options to any employee of the Group or any other persons who, in the sole discretion of the Board, have contributed or would contribute to the Group to subscribe for shares of the Company at HK$0.12 per share, representing a discount of approximately 64% of the placing price when the shares of the Company were first listed on GEM of the Stock Exchange on 5 December 2001. The exercise price was subsequently adjusted to HK$0.9796 per share after adjustment for the open offer of the Company effected during the year and the share consolidation effected in the year 2006 (2006: HK$1.2).

On 27 November 2001, options to subscribe for a total of 44,000,000 shares of the Company were granted to a Director and an employee at a total consideration of HK$2. The options granted may be exercised at any time during the period from 5 December 2001 to 4 December 2011. No options were granted under the Pre-IPO Share Option Scheme after the listing of the shares of the Company. The option for subscribing 40,000,000 shares of the Company was lapsed and an option to subscribe for 490,000 shares (2006: 400,000 shares) (after adjustment for the open offer of the Company effected during the year and the share consolidation effected in the year 2006) was outstanding as at 31 December 2007. No options granted under the Pre-IPO Share Option Scheme were exercised, cancelled or lapsed during the year.

Share Option Scheme

The Company adopted a Share Option Scheme on 24 November 2001 for the purpose of providing incentives or rewards to selected persons for their contribution to the Group. The Share Option Scheme shall be valid and effective for 10 years with expiry date of 5 December 2011. Pursuant to the Share Option Scheme, the Board may grant options to any employee of the Group or any other persons who, in the sole discretion of the Board, have contributed or will contribute to the Group to subscribe for shares of the Company at a price determined by the Board and shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer of the option which must be a business day, (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of the options; and (iii) the nominal value of a share on the date of offer of the options.

The total number of securities which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes must not in aggregate exceed 6,517,000 shares (equivalent to 65,170,000 shares before adjustment for the share consolidation of the Company effected during the year 2006, representing 10 per cent of the shares in issue as at 7 May 2004, the date of the annual general meeting of the Company in which shareholders' approval for refreshing the scheme mandate limit was obtained). The maximum entitlement of each participant under the Share Option Scheme in any 12-month period is 1 per cent of the shares in issue.

27. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

Share Option Scheme *(Continued)*

The grantees may accept the offer of options by paying HK$1 as the consideration of the grant to the Company within 28 days from the date of offer. Any offer which is not accepted within such period will be deemed to have been irrevocably declined. The options may be exercised at any time during a period of 10 years from the date of grant of the options and there is no lock-up period for exercise of the options.

The movements in the share options of the Company during the year are shown in the following table:

Name of Participants	Date of Grant	Exercise Period and Vesting Period	Exercise Price per Share (HK$)	Options outstanding as at 01-01-2007	Reclassification (Note a)	Adjustment for open offer (Note b)	Options exercised during the year	Options lapsed during the year	Options outstanding as at 31-12-2007
Directors:									
Tsang Wing Yee	10/11/2006	10/11/2006 – 09/11/2016	0.1729	145,000	—	32,625	—	—	177,625
Yuen Sun Chak	10/11/2006	10/11/2006 – 09/11/2016	0.1729	500,000	(500,000)	—	—	—	—
Chan Yat Leong	10/11/2006	10/11/2006 – 09/11/2016	0.1729	145,000	(145,000)	—	—	—	—
Chan Lai Yin Simon	10/11/2006	10/11/2006 – 09/11/2016	0.2118	145,000	(145,000)	—	—	—	—
Law Tin Fan Arthur	10/11/2006	10/11/2006 – 09/11/2016	0.1729	500,000	(500,000)	—	—	—	—
Lin Chinlon	10/11/2006	10/11/2006 – 09/11/2016	0.1729	145,000	(145,000)	—	—	—	—
Lau Wing	10/11/2006	10/11/2006 – 09/11/2016	0.1729	145,000	(145,000)	—	—	—	—
Ho Ho Yee Alexendra	10/11/2006	10/11/2006 – 09/11/2016	0.1729	145,000	(145,000)	—	—	—	—
Sub-total				1,870,000	(1,725,000)	32,625	—	—	177,625
Participants with options granted in excess of the individual limit:									
Li Ching Ping Vincent	20/11/2003	20/11/2003 – 19/11/2013	0.2100	2,400,000	—	—	(2,400,000)	—	—
Sub-total				2,400,000	—	—	(2,400,000)	—	—
Others:									
In aggregate	16/07/2003	16/07/2003 – 04/07/2013	0.2100	420,000	—	—	(420,000)	—	—
	10/11/2006	10/11/2006 – 09/11/2016	0.2118	1,745,000	145,000	—	(1,745,000)	(145,000)	—
	10/11/2006	10/11/2006 – 09/11/2016	0.1729	—	1,580,000	355,500	(355,250)	(1,580,250)	—
Sub-total				2,165,000	1,725,000	355,500	(2,520,250)	(1,725,250)	—
TOTAL				6,435,000	—	388,125	(4,920,250)	(1,725,250)	177,625
Weighted average exercise prices				0.2110	N/A	N/A	0.2080	0.1762	0.1729

27. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

Share Option Scheme *(Continued)*

Notes:

(a) Options to subscribe for totally 1,725,000 shares were granted to Yuen Sun Chak, Chan Yat Leong, Chan Lai Yin Simon, Law Tin Fan Arthur and Lin Chinlon, former Directors on 10 November 2006. They resigned as Director during the year as set out in note 9 to the financial statements. Their options to subscribe for shares were reclassified to "Others" upon their resignations.

(b) As a result of the open offer of the Company on the basis of two offer shares for every five existing shares held on record date in August 2007, the exercise price of the outstanding options was adjusted from HK$0.2118 to HK$0.1729 and the number of the outstanding options was adjusted from 1,725,000 to 2,113,125, increased by 388,125 options upon completion of the open offer.

(c) No new share options were granted during the year. The fair value of options granted under the Share Option Scheme during the year 2006, measured at their respective date of grant, amounted to approximately HK$129,000 of HK$0.036 each. The fair values of the outstanding options were derived from Black-Scholes option pricing model by applying the following bases and assumptions:

Date of grant (dd-mm-yy)	Expected volatility	Expected life (in years)	Risk-free interest rate	Expected dividend yield
16/07/03	2.03%	10	4.27%	Nil
20/11/03	1.02%	10	4.35%	Nil
10/11/06	4.17%	10	3.83%	Nil

(i) the expected volatilities of the options were calculated based on the annualized historical volatility of the closing price of the shares of the Company for the 12 months immediately preceding the date of grant of the options;

(ii) the monthly average yields of Exchange Fund Notes were applied as the risk-free interest rates; and

(iii) the expected dividend yields were estimated based on the historical dividend, which was zero.

(d) The values of the options are subject to the limitations of the Black-Scholes option pricing model and a number of assumptions which are subjective and difficult to ascertain. Changes in the subjective input assumptions could materially affect the fair value estimate.

(e) The weighted average share price of the Company's shares immediately before the date on which the options were exercised and at the date of exercise of the share options are HK$0.3956 and HK$0.3994 respectively.

(f) The outstanding share options as at 31 December 2007 had a remaining contractual life of 8.86 years.

(g) If options are forfeited before expiration or lapsed, the related share-based payment reserve will be transferred directly to accumulated losses.

28. DEFERRED TAXATION

a) The Group

The components of deferred tax (assets)/liabilities recognized in the consolidated balance sheet and the movements during the years are as follows:

Deferred tax arising from:	Accelerated tax depreciation	Tax losses	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2006	51	(51)	—
(Credited)/charged to consolidated income statement	(39)	39	—
At 31 December 2006 and at 1 January 2007	12	(12)	—
(Credited)/charged to consolidated income statement	(4)	4	—
At 31 December 2007	8	(8)	—

As at the balance sheet date, the Group had unused tax losses of approximately HK$18,203,000 (2006: HK$16,549,000) available for offset against future profits. A deferred tax asset has been recognized in respect of approximately HK$46,000 (2006: HK$66,000) of such losses. No deferred tax assets have been recognized in respect of the remaining of approximately HK$18,157,000 (2006: HK$16,483,000) due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

b) The Company

As at the balance sheet date, the Company had unused tax losses of approximately HK$15,837,000 (2006: HK$13,968,000) available for offset against future profits. No deferred tax assets have been recognized in respect of such losses due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

29. CASH USED IN OPERATIONS

	Note	**2007 HK$'000**	2006 HK$'000
Loss before taxation		**(2,373)**	(515)
Depreciation		**20**	81
Interest income		**(173)**	(64)
Interest expenses	8, 21 & 23	**—**	563
Write-off of plant and equipment		**—**	7
Gain on novation of loan		**—**	(3,000)
Gain on disposal of a subsidiary		**—**	(1,154)
Exchange reserve transferred to consolidated income statement upon dissolution of a foreign subsidiary		**—**	679
Share-based payment expenses	27	**—**	129
Changes in working capital:			
— Trade and other receivables		**656**	558
— Trade and other payables		**(1,157)**	287
Cash used in operations		**(3,027)**	(2,429)

30. DISPOSAL OF A SUBSIDIARY

The net assets of ProSticks.com Limited at the date of disposal, i.e. 31 May 2006 were as follows.

	31 May 2006 HK$'000
Plant and equipment	324
Trade and other receivables	629
Cash and cash equivalents	410
Other payables	(517)
Net assets	846
Net assets disposed of	(846)
Total consideration, satisfied by cancellation of a convertible bond of the Company (note 23)	2,000
Gain on disposal of a subsidiary	1,154
Net cash outflow of cash and cash equivalents in connection with the disposal of the subsidiary	
Cash and bank balances disposed of	(410)

31. RETIREMENT SCHEME

In compliance with the Mandatory Provident Fund (the "MPF") legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, the Group is participating in a defined contribution MPF scheme operated by an approved trustee in Hong Kong and is making contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages of the employees (monthly mandatory contribution is limited to 5% of HK$20,000 for each eligible employee as stipulated by the MPF legislation). Any contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions may be used by the Group to reduce the existing level of contributions. No such amounts were utilized by the Group during the year. The total pension cost charged to the consolidated income statement for the year ended 31 December 2007 amounted to HK$28,000 (2006: HK$150,000).

32. CONTINGENT LIABILITIES

At the balance sheet date, neither the Group nor the Company had any significant contingent liabilities.

33. RELATED PARTY TRANSACTIONS

a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the years presented.

Name	**Nature of transaction**	**2007** **HK$'000**	2006 HK$'000
Mr. Li Ching Ping Vincent	Novation of a term loan	—	3,000

Notes:

(i) Mr. Li Ching Ping Vincent was a former director of the Company.

(ii) The above amount represented the novation of an unsecured loan of HK$3,000,000 owed by the Company as set out in note 23(ii) to the financial statements.

(iii) The above transaction was non-recurring in nature and fell under the definition of "connected transaction" in Chapter 20 of GEM Listing Rules. However, this transaction was exempt from all the reporting, announcement and independent shareholders' approval requirements pursuant to the GEM Listing Rules.

33. RELATED PARTY TRANSACTIONS *(Continued)*

b) Key management personnel compensation

All key management personnel of the Group in 2007 and 2006 were Directors and details of their emoluments are disclosed in note 9 to the financial statements.

	2007 HK$'000	2006 HK$'000
Directors' fees, salaries and other short-term employee benefits	**1,121**	2,829
Post-employment benefits	**21**	48
Share-based payments	**—**	66
	1,142	2,943

Note: The above transactions are recurring in nature and fall under the definition of "continuing connected transaction" in Chapter 20 of the GEM Listing Rules. However, these transactions were exempt from all the reporting, announcement and independent shareholders' approval requirements pursuant to the GEM Listing Rules.

c) Balances with related parties

	2007 HK$'000	2006 HK$'000
Non-trade balances due to directors		
Ms. Chan Hoi Ling	**25**	—
Dr. Wong Yun Kuen	**25**	—
Mr. Law Tin Fan Arthur	**—**	269
Mr. Chan Yat Leong	**—**	269
Ms. Tsang Wing Yee	**30**	269
Mr. Yuen Sun Chak	**—**	269
	80	1,076

34. EVENTS AFTER THE BALANCE SHEET DATE

a) Placing of 500,000,000 new shares of the Company

On 4 October 2007, the Company entered into a placing agreement with a placing agent to place a maximum of 500,000,000 new shares to independent investors at a price of HK$0.15 per share. The net proceeds of approximately HK$73,000,000 from the placing were intended to be used for the funding of the acquisition of the New Beida Group as stated in note b) below. The placing shares were issued on 5 February 2008.

b) Acquisition of the New Beida Group

On 16 October 2007, Wise Gate Investments Limited, a subsidiary of the Company entered into an acquisition agreement to acquire the entire interest of New Beida Business StudyNet Group Limited ("New Beida") at a consideration of HK$800,000,000. The consideration was satisfied as to HK$80,000,000 in cash and HK$720,000,000 by the issue of convertible notes. New Beida together with its subsidiaries (the "New Beida Group") are principally engaged in the occupational education, industry certificate course, skills training and education consultation.

The acquisition was completed on 27 February 2008. As the acquisition was completed shortly before the date of the approval of these financial statements, the completion accounts of the New Beida Group are yet to finalized and thus it is impractical to disclose the goodwill generated and the fair value of the identifiable assets and liabilities of the New Beida Group. Accountant's reports on the subsidiaries of New Beida for the nine months period ended 30 September 2007 were disclosed in the circular in respect of the acquisition dated 21 January 2008.

c) Issue of the convertible notes

Pursuant to the acquisition agreement dated 16 October 2007 as stated in note b) above, the Company issued interest-free convertible notes at a conversion price of HK$0.20 per conversion share in aggregate principal amount of HK$720,000,000 as a partial consideration on 27 February 2008. No convertible note was converted up to the date of approval of these financial statements. Details of the convertible notes were set out in the circular of the Company dated 21 January 2008.

d) Increase in authorised share capital of the Company

Pursuant to the extraordinary general meeting held on 14 February 2008, the authorized share capital of the Company was increased from HK$80,000,000, divided into 800,000,000 shares to HK$1,000,000,000 divided into 10,000,000,000 shares by the creation of additional 9,200,000,000 shares in order to accommodate future expansion and growth of the Group.

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2007

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2007 and which have not been adopted in these financial statements:

	Effective for accounting periods beginning on or after
HKAS 1 (Revised), Presentation of Financial Statements	1 January 2009
HKFRS 8, Operating Segments	1 January 2009
HKAS 23 (Revised), Borrowing Costs	1 January 2009
HK(IFRIC) — Int 11, HKFRS 2 – Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) — Int 12, Service Concession Arrangements	1 January 2008
HK(IFRIC) — Int 13, Customer Loyalty Programmes	1 July 2008
HK(IFRIC) — Int 14, HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that while the adoption of them may result in new or amended disclosures, it is unlikely to have a significant impact on the Group's results of operations and financial position.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements set out on page 24 to 76 were approved and authorized for issued by the Board of Directors on 28 March 2008.